Consolidated Interim Financial Statements (Unaudited)

For the Three and Six Months Ended June 30, 2023 and 2022

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

Irwin Naturals, Inc.

NOTICE OF NO AUDITOR REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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Irwin Naturals, Inc.
Consolidated Interim Statements of Financial Position (Unaudited)
As of June 30, 2023 and December 31, 2022
(Expressed in thousands of US dollars, except share amounts)

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash	$ 5,943	$ 800
Trade receivables, net (Note 14)	15,826	21,311
Inventory (Note 7)	20,809	22,506
Prepaid expenses and other current assets (Note 6)	2,806	2,932
Notes receivable from related parties, current (Note 12)	265	255
Total current assets	45,649	47,804
Non-current assets:		
Property and equipment, net (Note 8)	335	271
Right-of-use assets (Note 10)	4,261	4,194
Notes receivable from shareholders (Note 17)	6,967	6,014
Notes receivable from related parties, non-current (Note 12)	250	—
Goodwill (Note 5)	12,028	10,215
Intangible assets, net (Note 5)	4,192	7,677
Deferred tax asset	5,562	2,367
Other non-current assets	277	259
Total non-current assets	33,872	30,997
TOTAL ASSETS	**$ 79,521**	**$ 78,801**
LIABILITIES		
Current liabilities:		
Trade and other payables (Note 11)	$ 17,392	$ 17,997
Reserve for returns	648	2,036
Lease liabilities, current (Note 10)	2,012	1,817
Line of credit, net of debt issuance costs (Note 9)	26,231	16,448
Notes payable due to acquiree (Note 5)	4,875	—
Notes payable, current (Note 5 and 13)	42	36
Total current liabilities	51,200	38,334
Non-current liabilities:		
Lease liabilities, non-current (Note 10)	2,471	2,529
Notes payable, non-current (Note 5 and 13)	668	498
Contingent consideration (Note 5)	—	6,154
Notes payable due to acquiree (Note 5)	6,125	—
Deferred tax liability (Note 19)	983	983
Total non-current liabilities	10,247	10,164
TOTAL LIABILTIES	$ 61,447	$ 48,498
EQUITY AND NONCONTROLLING INTEREST		
Class B Shares, 320,000,000 shares authorized, issued and outstanding (Note 3)	$ 13,750	$ 13,750
Subordinate Voting Shares, 3,373,493 shares authorized, issued and outstanding (Notes 3 and 5)	7,943	7,068
Multiple Voting Shares, 18,240 shares authorized, issued and outstanding (Note 3)	59	59
Proportionate Voting Shares, 2,085,200 shares authorized, issued and outstanding (Notes 3 and 5)	5,610	5,610
Warrants reserve (Note 3)	30	30
Accumulated other comprehensive income	(12)	3
Retained (deficit) earnings	(16,262)	(3,324)
Total controlling interest	11,118	23,196
Noncontrolling interest (Note 18)	6,956	7,107
TOTAL EQUITY AND NONCONTROLLING INTERST	18,074	30,303
TOTAL LIABILTIES AND EQUITY	**$ 79,521**	**$ 78,801**

Nature of operations (Note 1)
Commitments and contingencies (Note 21)
Subsequent events (Note 22)

Approved on behalf of the Board on August 25, 2023.

The accompanying notes are an integral part of these Consolidated Interim Financial Statements (Unaudited)

Irwin Naturals, Inc.

Consolidated Interim Statements of Profit and Comprehensive Income (Unaudited)
For the Three and Six Months Ended June 30, 2023 and 2022
(Expressed in thousands of US dollars, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating revenue	$ 22,129	$ 21,809	$ 44,635	$ 44,403
Cost of sales	(12,243)	(12,250)	(23,642)	(23,798)
Gross profit	9,886	9,559	20,993	20,605
Selling, general and administrative expenses	11,737	9,054	24,309	17,574
Income (loss) from operations	(1,851)	505	(3,316)	3,031
Other (income) expenses:				
Interest expense, net	786	111	1,297	360
Loss (gain) on foreign currency exchange	1	—	3	—
Goodwill impairment	9,112	—	11,922	—
Intangible assets impairment	1,848	—	5,587	—
Intangible assets amortization	119	—	319	—
Gain on contingent liabilities	(5,764)	—	(6,154)	—
Total other (income) expenses	6,102	111	12,974	360
Net (loss) income before income taxes	(7,953)	394	(16,290)	2,671
Income tax (recovery) expense	(2,551)	283	(3,190)	979
Net (loss) income	(5,402)	111	(13,100)	1,692
Less: net (loss) income attributable to non-controlling interest	(79)	72	(151)	351
Net (loss) income attributable to controlling interest	(5,323)	39	(12,949)	1,341
Comprehensive Income				
Net (loss) income	$ (5,402)	$ 111	$ (13,100)	$ 1,692
Foreign currency translation adjustments	(32)	(12)	(14)	(8)
Total comprehensive (loss) income	(5,434)	99	(13,114)	1,684
Less: net (loss) income attributable to non-controlling interest	(79)	72	(151)	351
Comprehensive (loss) income attributable to controlling interest	$ (5,355)	$ 27	$ (12,963)	$ 1,333
(Loss) earnings per share, controlling interest – basic	$ (1.57)	$ 0.03	$ (3.84)	$ 1.12
(Loss) earnings per share, controlling interest – diluted	$ (1.57)	$ 0.00	$ (3.84)	$ 0.00
Weighted average number of shares outstanding – basic	3,383,180	1,200,402	3,370,764	1,200,202
Weighted average number of shares outstanding – diluted	3,383,180	322,472,356	3,370,764	321,927,492

The accompanying notes are an integral part of these Consolidated Interim Financial Statements (Unaudited)

Irwin Naturals, Inc.

Consolidated Interim Statements of Changes in Equity (Unaudited)

For the Six Months Ended June 30, 2023 and 2022

(Expressed in thousands of US dollars, except share amounts)

	Share Capital										
	Number of Shares										
	Class B Non-Voting	Multiple Voting	Subordinate Voting	Proportionate Voting	Amount	Additional Paid In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Controlling Interest	Noncontrolling Interest	Total Shareholder's Equity
Balance as of January 1, 2023	**320,000,000**	**18,240**	**2,986,347**	**2,085,200**	**$ 26,487**	**$ 30**	**$ 3**	**$ (3,324)**	**$ 23,196**	**$ 7,107**	**$ 30,303**
Issuance of shares	—	—	427,377	—	977	—	—	—	977	—	977
Purchase of shares	—	—	(40,231)	—	(102)	—	—	10	(92)	—	(92)
Comprehensive loss	—	—	—	—	—	—	—	(13,114)	(13,114)	—	(13,114)
Foreign currency translation	—	—	—	—	—	—	(15)	15	—	—	—
Noncontrolling interest allocation	—	—	—	—	—	—	—	151	151	(151)	—
Balance as of June 30, 2023	**320,000,000**	**18,240**	**3,373,493**	**2,085,200**	**$ 27,362**	**$ 30**	**$ (12)**	**$ (16,262)**	**$ 11,118**	**$ 6,956**	**$ 18,074**

	Share Capital										
	Number of Shares										
	Class B Non-Voting	Multiple Voting	Subordinate Voting	Proportionate Voting	Amount	Additional Paid In Capital	Accumulated Other Comprehensive Income	Restated Retained Earnings	Restated Total Controlling Interest	Restated Noncontrolling Interest	Total Shareholder's Equity
Balance as of January 1, 2022	**320,000,000**	**18,240**	**1,200,001**	—	**$ 16,809**	**$ —**	**$ (9)**	**$ 681**	**$ 17,481**	**$ 5,635**	**$ 23,116**
Issuance of shares	—	—	667	1,816,000	4,948	—	—	—	4,948	—	4,948
Purchase of shares											
Comprehensive income	—	—	—	—	—	—	—	1,697	1,697	—	1,697
Foreign currency translation	—	—	—	—	—	—	(3)	(5)	(8)	1	(7)
Noncontrolling interest allocation	—	—	—	—	—	—	—	(351)	(351)	351	—
Balance as of June 30, 2022	**320,000,000**	**18,240**	**1,200,668**	**1,816,000**	**$ 21,757**	**$ —**	**$ (12)**	**$ 2,022**	**$ 23,767**	**$ 5,987**	**$ 29,754**

The accompanying notes are an integral part of these Consolidated Interim Financial Statements (Unaudited)

Irwin Naturals, Inc.
Consolidated Interim Statements of Cash Flows (Unaudited)
For the Six Months Ended June 30, 2023 and 2022
(Expressed in thousands of US dollars)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net (loss) income	$ (13,100)	$ 1,692
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,515	831
Gain on contingent consideration	(6,154)	(263)
Goodwill impairment	11,922	—
Intangible assets impairment	5,587	—
Change in allowance for doubtful accounts	149	37
Change in inventory reserve	(96)	(975)
Change in deferred tax assets	(3,195)	55
Notes receivable from shareholders	(900)	(900)
Notes receivable from related parties	(260)	(155)
Interest (income) expense, net	(49)	12
Changes to working capital:		
Trade receivables	6,680	2,494
Inventory	1,792	(1,861)
Prepaid expenses and other current assets	137	177
Trade and other payables	(123)	(1,549)
Reserve for returns	(1,387)	(323)
Other non-current assets	(3)	(75)
Net cash provided by (used in) operating activities	2,515	(803)
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(5,834)	164
Purchases of property and equipment	(26)	(29)
Net cash (used in) provided by investing activities	(5,860)	135
Cash flows from financing activities:		
Proceeds from line of credit	55,536	46,102
Payments to line of credit	(45,132)	(43,233)
Payments to notes payable	(117)	(1,098)
Payments of debt issuance costs	(748)	—
Payments on operating leases	(947)	(729)
Purchase of treasury stock	(93)	—
Net cash provided by (used in) financing activities	8,499	1,042
Effect of foreign exchange on cash	(11)	—
Net increase in cash	5,143	374
Cash at beginning of the year	800	625
Cash at period end	$ 5,943	$ 999

Supplemental Disclosure with Respect to Cash Flow (Note 15)

The accompanying notes are an integral part of these Consolidated Interim Financial Statements (Unaudited)

(Expressed in thousands of US dollars, except share and per share amounts)

1. NATURE OF OPERATIONS

Irwin Naturals, Inc. ("Irwin" and, together with its subsidiaries the "Company") was founded in 1994 and is headquartered in Los Angeles, California. Irwin is a vitamins and other health supplements manufacturing company that, as of June 30, 2023, also owns and operates twelve mental health clinics and one advertising company specializing in ketamine clinics in the United States. All amounts presented as of June 30, 2023 and December 31, 2022 or for the three and six months ended June 30, 2023 and 2022 include the consolidated amounts for the subsidiaries (listed below). Further detail of the entity's subsidiaries is discussed below.

Subsidiaries	Licensed operators (1)
Irwin Naturals, a Nevada Corporation ("IN Nevada")	New England Ketamine
5310 Holdings, LLC ("5310 Holdings")	Invictus Clinic, LLC
Irwin Naturals Emergence, Inc. ("IN Emergence") (2)	Hobie Fuerstman D O PLC
Midwest Ketafusion LLC	
KHC Capital Group, LLC	
Ketamine Health Centers, LLC	
Ketamine Management, LLC	
Ketamine Health Centers of Weston, LLC	
Ketamine Health Centers of West Palm Beach, LLC	
Ketamine Health Centers of Orlando, LLC	
Ketamine Health Centers at Bonita Springs, LLC	
Serenity Health, LLC	
Keta Media, LLC	
Irwin Naturals Cannabis, Inc. ("IN Cannabis")	
DAI US HoldCo, Inc. ("US HoldCo")	

(1) Entities contracted with IN Emergence through management service agreements.
(2) On June 22, 2023, IN Emergence ceased operations of one of its clinics, located in Gainesville, FL.

During 2021, the Company launched an offering to trade up to 1,200,001 shares of subordinate voting shares (the "Subordinate Voting Shares") on the Canadian Securities Exchange ("CSE") under the ticker "IWIN", the Company began trading on the OTCQB Venture Market under the ticker "IWINF", and 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". Details of the share-based payment transactions are discussed in Note 3.

IN Nevada is a Nevada Corporation based in Los Angeles, California, that develops vitamins and other health supplements and distributes these products in the United States and Canada through two main channels: mass market retailers and health food stores.

IN Emergence is a Nevada Corporation based in Los Angeles, California and was formed on September 17, 2021. This entity was created to facilitate the Company's purchase of the mental health clinics discussed in Note 5. In addition to the wholly owned subsidiaries noted above, this entity also consolidates four clinics where state regulations prevent direct ownership (see Note 2 regarding Basis of Consolidation).

IN Cannabis is a Nevada Corporation based in Los Angeles, California and was formed on October 19, 2021. This entity was created to leverage the Irwin Naturals® brand name by selling non-cannabis raw materials to licensed third parties that manufacture products containing tetrahydrocannabinol.

US HoldCo is a Nevada Corporation based in Los Angeles, California and was formed on August 13, 2021 to facilitate the share-based payment transaction noted above. This entity does not have any current operations.

All significant intercompany balances and transactions have been eliminated in consolidation.

(Expressed in thousands of US dollars, except share and per share amounts)

During the three and six months ended June 30, 2023, the Company derived approximately 87% and 88%, respectively, of its revenue from vitamins and other health supplements and 13% and 12%, respectively, from the mental health clinics. During the three and six months ended June 30, 2022, the Company derived approximately 98% and 99%, respectively, of its revenue from vitamins and other health supplements and 2% and 1%, respectively, from the mental health clinics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND STATEMENT OF COMPLIANCE WITH IFRS

Basis of Presentation

The Consolidated Interim Financial Statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”. They do not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022 (the “Annual Financial Statements”). The Consolidated Interim Financial Statements have been prepared using the same accounting policies as disclosed in the Annual Financial Statements.

Several amendments apply for the first time in 2023, but do not have an impact on the Consolidated Interim Financial Statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company’s Consolidated Interim Financial Statements have been prepared on an accrual basis and under the historical cost convention, except for the revaluation of certain financial assets. Certain comparative figures have been reclassified to conform to the current year’s presentation.

As of June 30, 2022, the Company overstated noncontrolling interest and understated retained earnings by $493, which is the result of the Company’s beginning balances as of December 31, 2021 (see Note 18). The Company recharacterized this balance as controlling interest for comparative purposes on the Annual Financial Statements as of December 31, 2022 and in these Consolidated Interim Financial Statements as of June 30, 2023.

Additionally, the Company noted errors related to the presentation of the Consolidated Interim Statement of Cash Flows for the six months ended June 30, 2022, primarily related to the presentation of its 2023 acquisitions (see Note 5).

The following table summarizes the amount of the correction for each line item presented:

	As filed June 30, 2022	Adjustments	Restated June 30, 2022
Consolidated Interim Statements of Financial Position			
Retained earnings	1,529	493	2,022
Noncontrolling interest	6,480	(493)	5,987
Consolidated Interim Statements of Cash Flows			
Cash flows (used in) provided by			
Operating activities	5,945	(6,748)	(803)
Investing activities	(6,809)	6,944	135
Financing activities	1,239	(197)	1,042

Additionally, certain figures from 2022 were adjusted for rounding purposes.

The Consolidated Interim Financial Statements are presented in United States dollars and all values are rounded to the nearest thousand ($'000), except share and per share amounts and when otherwise indicated.

These consolidated interim financial statements of the Company were authorized for issuance by the Board of Directors on August 25, 2023.

Presentation of Financial Statements - Going Concern

Accounting standards requires management to assess whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued. If substantial doubt exists, additional disclosures are required.

On May 11, 2023 and June 2, 2023, the Company received notices of default from its lender resulting from a failure to meet certain covenants. The lender is currently forbearing its rights related to its notice of default and its rights to accelerate payments or implement the relevant penalty rate, and the Company is continuing to cooperate with the lender. If such demand for repayment were to occur, the Company does not have the financial resources to repay such obligations. The Company is also dependent upon its Credit Facility (Note 9) to fund its operations and satisfy obligations. Accordingly, the Company has taken several actions to continue to support its operations and meet its obligations, including renegotiating payments terms with its customers and suppliers and exploring options to amend or refinance its debt and to reduce operating costs and expenditures. Although the Company believes that the actions discussed herein may result in sufficient availability to meet the current covenant requirements, it cannot predict that such actions will be successful. Based on these factors, the Company believes there is substantial doubt about its ability to continue as a going concern.

Basis of Consolidation

These 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 both 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 Company owns its mental health clinics directly or has entered into long-term management services agreements ("MSA") to operate and control certain of its mental clinics by contract. The Company's preference is to own the clinics; however, some state laws restrict the corporate practice of medicine and require a licensed medical practitioner to own the clinic. Accordingly, the managed clinics are owned exclusively by a medical professional within a professional service corporation (formed as a limited liability company or corporation) and are under common control with the Company to comply with state laws regulating the ownership of medical practices. Notes 1 and 5 to these consolidated financial statements define which mental health clinics were acquired through a management service agreement.

The consolidated interim financial statements include the operating results of acquired entities from the effective date of acquisition.

All transactions and balances between the consolidated entities are eliminated in consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

The Company attributes total comprehensive income or loss between the owners of IN Nevada based on their respective controlling and noncontrolling ownership interests.

Business combinations

The Company accounts for business combinations under the acquisition method of accounting, where the total purchase price is allocated to the tangible and identified intangible assets acquired and liabilities assumed based on their estimated fair values. The purchase price is allocated using the information currently available and may be adjusted up to one year from acquisition date. The purchase price in excess of the fair value of the tangible and identified intangible assets acquired, less liabilities assumed, is recognized as goodwill. During the six months ended June 30, 2023, the Company acquired one mental health clinic and an advertising platform (listed below) from unrelated third parties (the “2023 Acquisitions”). During the year ended December 31, 2022, the Company acquired six mental health groups which operated twelve mental health clinics (listed below) from unrelated third parties (the “2022 Acquisitions”), together the “2022 and 2023 Acquisitions”.

The following entities were acquired through business combinations during the six months ended June 30, 2023 (see Note 5):

- *Serenity Health, LLC, (“SHK”)*: On February 16, 2023, the Company completed the acquisition of the membership interest of SHK, a privately held limited liability company that offers ketamine treatments.
- *Keta Media, LLC dba Ketamine Media (“KM”)*: On March 17, 2023, the Company completed the acquisition of the membership interest in KM an advertising platform that specializes in raising awareness about the clinical use of ketamine.

The following entities were acquired through a business combination during the year ended December 31, 2022 (see Note 5):

- *Midwest Ketafusion LLC (“MWK”):* On March 14, 2022, the Company completed the acquisition of MWK, a privately held limited liability company that offers ketamine treatments and behavioral and mental health therapy.
- *KHC Capital Group, LLC dba Ketamine Health Centers (“KHC”):* On May 20, 2022, the Company completed the acquisition of KHC (and its related entities), a privately held limited liability company that offers ketamine treatments and behavioral and mental health therapy.
- *New England Ketamine (“NEK”):* On July 27, 2022, the Company completed the acquisition of the assets of, and finalized a management service agreement with NEK, a privately held, professional limited liability company that offers ketamine treatments and behavioral and mental health therapy.
- *Invictus Clinic, LLC (“ICG”):* On August 5, 2022, the Company completed the acquisition of the assets of, and finalized a management service agreement with ICG, a limited liability company that offers ketamine assisted therapy, hydration via IV infusion, NAD+ therapy, and behavioral and mental health therapy.
- *Hobie Fuerstman D O PLC dba Preventive Medicine (“PMV”):* On August 11, 2022, the Company completed the acquisition of the assets of, and finalized a management service agreement with PMV, a privately held professional limited liability company that offers ketamine treatments and behavioral and mental health therapy.
- *Care Clinic, Inc. dba Florida Mind Health Center (“FMH”):* On December 8, 2022, the Company completed the acquisition of the assets of, and took over the operations of FMH, a privately held corporation that offers ketamine treatments and behavioral and mental

health therapy. On June 22, 2023, the Gainesville, FL clinic operated by IN Emergence in connection with this acquisition was no longer operational.

Goodwill

The Company's goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired and liabilities assumed in business combinations. The goodwill generated from the business combinations is primarily related to the value placed on the employee workforce and expected synergies. Judgment is involved in determining if an indicator or change in circumstances relating to impairment has occurred. Such changes may include, among others, a significant decline in expected future cash flows, a significant adverse change in the business climate, and unforeseen competition.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units, or "CGU"). Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Company at which management monitors goodwill. These cash-generating units are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's (or CGU's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to the cash-generating unit and any remaining impairment loss is charged pro rata to the other assets of the cash-generating unit.

The Company identified eight and ten cash-generating units within its operating segments as of December 31, 2022 and June 30, 2023, respectively. The units are as follows: IN Nevada and IN Cannabis within the Products segment, and the six 2022 Acquisitions and two 2023 Acquisitions within the Clinics segment (see Segment Reporting section below).

During its 2022 annual impairment test, the Company compared actual performance to expectations for each of the eight CGUs identified as of December 31, 2022. During this analysis, the Company noted no indicators of impairment related to IN Nevada, IN Cannabis, and four of the six 2022 Acquisitions. The two units where performance did not meet expectations were MWK and KHC. To determine the recoverable amount, the Company estimated expected future cash flows from the units and determined a suitable discount rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors. As a result, the Company recorded noncash goodwill impairments at MWK and KHC of $710 and $1,769, respectively, for the year ended December 31, 2022 (see Note 5).

During its 2023 quarterly impairment assessments, the Company noted no indicators of impairment related to IN Nevada, IN Cannabis, and two of the eight 2022 and 2023 Acquisitions. The six units where performance did not meet expectations were MWK, ICG, NEK, PMV, FMH, and SHK. To determine the recoverable amount, the Company estimated expected future cash flows from the units and determined a suitable discount rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

The Company recorded noncash goodwill impairments at NEK, PMV, FMH, and SHK of $241, $1,697, $1,617, and $5,557, respectively, for the three months ended June 30, 2023. The Company recorded noncash goodwill impairments at MWK, ICG, NEK, PMV, FMH, and SHK of $838, $250, $241, $1,697, $3,339, and $5,557, respectively, for the six months ended June 30, 2023 (see Note 5).

Intangible Assets

The Company capitalizes the fair value of intangible assets acquired in business combinations. The Company performs valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination and allocates the purchase price of each acquired business to its respective net tangible and intangible assets. The Company records an impairment loss when the carrying amount of the asset is not recoverable and exceeds its fair value.

During its 2022 annual impairment test, the Company compared actual performance to expectations for each of the eight CGUs identified as of December 31, 2022. During this analysis, the Company noted no indicators of impairment related to IN Nevada, IN Cannabis, and four of the six 2022 Acquisitions. The two units where performance did not meet expectations were MWK and KHC. To determine the recoverable amount, the Company estimated expected future cash flows from the units and determined a suitable discount rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors. As a result, the Company recorded a noncash intangible asset impairment at KHC of $261 for the year ended December 31, 2022 (see Note 5).

During its 2023 quarterly impairment assessments, the Company noted no indicators of impairment related to IN Nevada, IN Cannabis, and two of the eight 2022 and 2023 Acquisitions. The six units where performance did not meet expectations were MWK, ICG, NEK, PMV, FMH, and SHK. To determine the recoverable amount, the Company estimated expected future cash flows from the units and determined a suitable discount rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors. The Company recorded noncash intangible asset impairments at NEK and PMV of $378 and $1,470, respectively, for the three months ended June 30, 2023. The Company recorded noncash intangible asset impairments at KHC, NEK, and PMV of $3,739, $378, and $1,470, respectively, for the six months ended June 30, 2023 (see Note 5).

Segment Reporting

As a result of the 2022 and 2023 Acquisitions, the Company now has three operating segments: (i) vitamins and other health supplements (“Products”); (ii) mental health clinics (“Clinics”); and (iii) Corporate. In identifying these operating segments, management generally follows the Company’s drivers for revenues and expenses. Each of these operating segments is managed separately as each requires different marketing approaches and other resources. During 2023 and 2022, there was no inter-segment exchange of goods or services.

Refer to Note 20 for further financial information regarding the Company’s segments.

3. EQUITY TRANSACTIONS

During 2021, Irwin Naturals, Inc. (formerly Datinvest International Ltd.) completed a share-based payment transaction of IN Nevada (the “Transaction"), whereby 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) add special rights and restrictions to the Common Shares and change the identifying name of the Common Shares to "Subordinate Voting Shares"; and (iii) change its name from "Datinvest International Ltd." to "Irwin Naturals, Inc."

On the date of this transaction IN Nevada issued 320,000,000 of Class B Non-Voting Shares (the "Class B Shares") to various executives (effectively exchanging the IN Nevada shares of 1,052,632 Common Shares on a proportionate basis), issued 18,240 Multiple Voting Shares to the CEO, and issued 1,200,001 Subordinate Voting Shares on the CSE. The Class B Shares and Multiple Voting Shares are exchangeable into Subordinate Voting Shares on a 1:1 basis. The Proportionate Voting Shares are exchangeable into Subordinate Voting Shares on a 100:1 basis. (The Subordinate Voting Shares, Proportionate Voting Shares, Multiple Voting Shares and Class B Shares shall be referred to collectively as “Shares”).

Prior to the completion of the Transaction, the CEO did not own or exercise control or direction over any securities of the Company. After the completion of the Transaction, the CEO had voting control of an approximately 99.5% of the outstanding Shares.

As of June 30, 2023 and December 31 2022, IN Nevada had 320,000,000 Class B Shares issued and outstanding. Noncontrolling interests in consolidated financial statements represent the equity interests held by third parties at IN Nevada (see Note 18). Net income (loss) attributable to noncontrolling interest is allocated based on their relative ownership percentage of IN Nevada during the reported period. The noncontrolling interest ownership percentage is determined by dividing the number of noncontrolling Class B Shares by the total number of Class A and Class B ownership shares in IN Nevada. The issuance or redemption of additional shares of Class B Shares may result in a change to the noncontrolling interest percentage.

During the three months ended June 30, 2023, the Company repurchased 15,731 Subordinate Voting Shares as a result of a stock buyback program. During the six months ended June 30, 2023, the Company issued an additional 427,377 Subordinate Voting Shares as a result of the 2023 Acquisitions (see Note 5) and repurchased 40,231 Subordinate Voting Shares as a result of a stock buyback program. As of June 30, 2023 and December 31, 2022, the Company had 3,373,493 and 2,986,347 Subordinate Voting Shares issued and outstanding, respectively.

As of June 30, 2023 and December 31, 2022, there were 20,000 warrants issued and outstanding for the right to receive Subordinate Voting Shares. These warrants have an exercise price of $3.00 per share, expiring on December 19, 2025. No warrants were issued or exercised during the three and six months ended June 30, 2023.

As of June 30, 2023 and December 31, 2022, the Company had 20,852 Proportionate Voting Shares, or 2,085,000 Subordinate Voting Shares reserved for issuance pursuant to the conversion rights attached to the Proportionate Voting Shares, issued and outstanding. No Proportionate Voting Shares were issued during the three and six months ended June 30, 2023.

(Expressed in thousands of US dollars, except share and per share amounts)

4. NET (LOSS) EARNINGS PER SHARE

Basic net (loss) earnings per share, controlling interest is computed by dividing net (loss) income attributable to controlling interest by the weighted average number of Subordinate Voting Shares outstanding during the period. Diluted net earnings per share, controlling interest is determined by using the weighted average number of shares on conversion or exchange, as applicable, of the Class B Shares, Multiple Voting Shares, and Proportionate Voting Shares in addition to the weighted average number of Subordinate Voting Shares outstanding during the period.

The calculations of shares used to compute net (loss) earnings per share attributable to controlling interest were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Weighted average shares outstanding – basic	3,383,180	1,200,402	3,370,764	1,200,202
Potential dilutive Class B Non-Voting Shares	320,000,000	320,000,000	320,000,000	320,000,000
Potential dilutive Multiple Voting Shares	18,240	18,240	18,240	18,240
Potential dilutive Proportionate Voting Shares	2,085,200	1,253,714	2,085,200	709,050
Weighted average shares outstanding - diluted	325,486,620	322,472,356	325,474,204	321,927,492

The total number of potential Subordinate Voting Shares, or 322,103,440, for the three and six months ended June 30, 2023 were excluded from the calculation of diluted net loss per share attributable to common stockholders because their effect would have been anti-dilutive.

For the three and six months ended June 30, 2023, the Company had basic and diluted net loss per share attributable to controlling interest of $1.57 and $3.84, respectively. For the three and six months ended June 30, 2022, the Company had basic earnings per share attributable to controlling interest of $0.03 and $1.12, respectively, and diluted earnings per share attributable to controlling interest of $0.00 and $0.00, respectively.

5. ACQUISITIONS

During the six months ended June 30, 2023, the Company acquired one mental health group that operates one mental health clinic and one advertising platform that specializes in raising awareness about the clinical use of ketamine from unrelated third parties (the “2023 Acquisitions”). The Company funded the 2023 Acquisitions principally with borrowings under its line of credit (see Note 9 for Credit Facility). Upon completion of the 2023 Acquisitions, the Company assigned the acquired assets to IN Emergence by way of a capital contribution and the entities became a wholly owned indirect subsidiary of the Company through IN Emergence (see Note 20 for Segment Information). The Company accounted for the acquisitions as business combinations. Prior to each acquisition, the entities operated as their own businesses, utilizing inputs and advanced processes, and receiving fees for operations. The Company will operate the facilities without substantial change to the acquired businesses.

On February 16, 2023, the Company completed the acquisition of the membership interest in SHK one of the leading ketamine clinics in Louisville, KY, initially announced November 30, 2022. The total consideration paid in exchange for the membership interest consisted of $3,000 in cash paid at closing of the transaction and $11,000 payable over the course of three years in cash. The Company is in the process of completing its formal valuation analysis to identify and determine the fair value of identifiable assets acquired related to this acquisition. Thus, the final allocation of the purchase price may differ from this preliminary allocation, based on completion of the valuation of the identifiable assets. As of June 30, 2023, $2,168 was allocated to intangible assets and $5,103 was allocated to goodwill, following a $5,557 noncash goodwill impairment for the three and six months ended June 30, 2023. Refer to the "Changes to Goodwill, Intangible Assets, and Contingent Considerations" section below.

(Expressed in thousands of US dollars, except share and per share amounts)

On March 17, 2023, the Company completed the acquisition of the membership interest in KM, an advertising platform that specializes in raising awareness about the clinical use of ketamine. The total consideration paid in exchange for the membership interest consisted of $1,500 in cash paid at closing of the transaction and $1,500 payable over one year in cash (the "Delayed Consideration"). On June 9, 2023, an amendment was signed which reduced the amount due on the Delayed Consideration by $50, from $1,500 to $1,450, and accelerated the payment to be due within five days of the effective date of the amendment. As of June 30, 2023, the Delayed Consideration was paid in full. The Company is in the process of completing its formal valuation analysis to identify and determine the fair value of identifiable assets acquired related to this acquisition. Thus, the final allocation of the purchase price may differ from this preliminary allocation, based on completion of the valuation of the identifiable assets. The Company does not expect the adjustments to be material. As of June 30, 2023, a total of $197 was allocated to intangible assets and $3,075 was allocated to goodwill.

The table below summarizes the total consideration, net of debt assumed and cash acquired, for the 2023 Acquisitions as of the acquisitions date:

	Type of Acquisition	Date of Acquisition	Number of Clinics	Purchase Price
Serenity Health ("SHK") (1)	Wholly owned	February 16, 2023	1	$ 14,305
Ketamine Media ("KM") (2)	Wholly owned	March 17, 2023	0	3,366
Total consideration			1	$ 17,671

(1) The purchase price included $11,360 of debt assumed and $3,000 in cash, less $55 cash acquired.
(2) The purchase price included $1,928 of debt assumed and $1,500 in cash, less $62 cash acquired. As of June 30, 2023, the purchase price was adjusted to $3,316 due to an amendment signed on June 9, 2023, which reduced the amount due on the Delayed Consideration by $50, from $1,500 to $1,450, in exchange for accelerating the payment to be due within five days of the effective date of the amendment. As of June 30, 2023, the delayed cash consideration was paid in full.

During the year ended December 31, 2022, the Company acquired six mental health groups that operated twelve mental health clinics (listed below) from unrelated third parties (the "2022 Acquisitions"). The Company funded the acquisitions principally with the issuance of Subordinate Voting Shares (Note 3), the issuance of Proportionate Voting Shares (Note 3), and borrowings under the line of credit (Note 9). Upon completion of the acquisitions, the Company assigned the acquired assets to IN Emergence by way of a capital contribution and the entities became a wholly owned indirect subsidiary of the Company through IN Emergence (see Note 20 for Segment Information). The Company accounted for the acquisitions as business combinations. Prior to each acquisition, the entities operated medical treatment facilities, utilizing inputs and advanced processes, and received fees for treatments. The Company will operate the facilities without substantial change to the acquired businesses.

(Expressed in thousands of US dollars, except share and per share amounts)

The table below summarizes the total consideration, net of debt assumed and cash acquired, for the 2022 Acquisitions as of the acquisition date:

	Type of Acquisition	Date of Acquisition	Number of Clinics	Purchase Price
Midwest Ketafusion ("MWK") (1)	Wholly owned	March 14, 2022	1	$ 2,284
Ketamine Health Centers ("KHC") (2)	Wholly owned	May 20, 2022	4	5,974
New England Ketamine ("NEK") (3)	MSA	July 27, 2022	1	676
Invictus ("ICG") (4)	MSA	August 5, 2022	2	1,195
Preventive Medicine ("PMV") (5)	MSA	August 11, 2022	1	3,264
Care Clinic ("FMH") (6)	Wholly owned	December 8, 2022	3	7,438
Total consideration			12	$ 20,831

(1) The purchase price included the issuance of 7,500 Proportionate Voting Shares and $141 of debt assumed, less $105 cash acquired.
(2) The purchase price included the issuance of 10,660 Proportionate Voting Shares and 667 Subordinate Voting Shares, $1,778 of debt assumed, and $1,553 contingent consideration, less $56 net cash acquired. The contingent consideration is dependent upon the future performance of the clinics acquired.
(3) The purchase price includes the issuance of 2,692 Proportionate Voting Shares and 31 Subordinate Voting Shares and $50 in cash, less $40 cash acquired.
(4) The purchase price includes the issuance of $1,000 in Subordinate Voting Shares to be issued in January 2023, $250 in cash, and $6 of debt assumed, less $61 cash acquired. In January 2023, the Company issued 427,377 Subordinate Voting Shares to the sellers of ICG.
(5) The purchase price includes the issuance of 284,848 Subordinate Voting Shares, $36 of debt assumed, and $2,579 contingent consideration, less $38 cash acquired. The contingent consideration is dependent upon the future performance of the clinics acquired.
(6) The purchase price includes the issuance of 1,500,000 Subordinate Voting Shares, $800 in cash, $17 of debt assumed, and $3,220 contingent consideration, less $21 cash acquired. The contingent consideration is dependent upon the future performance of the clinics acquired.

Purchase Price Allocation

The related assets, liabilities, and results of operations of the acquired (either directly or via management service agreements) mental health clinics are included in the consolidated financial statements as of the date of acquisition. Under the acquisition method of accounting, the 2022 and 2023 Acquisitions were valued for accounting purposes at $20,831 and $17,671, respectively, as of their dates of acquisition. The assets and liabilities were recorded at their respective fair values as of the date of acquisition. Any difference between the cost and the fair value of the assets acquired and liabilities assumed is recorded as goodwill. The acquisition date estimated fair value of the consideration transferred consisted of the following:

	MWK	KHC	NEK	ICG	PMV	FMH	SHK	KM
Fair value of net assets acquired:								
Current assets	$ 141	$ 179	$ 40	$ 61	$ 38	$ 44	$ 1,381	$ 101
Goodwill (1)	2,203	1,769	241	668	1,697	6,116	10,660	3,125
Intangible assets (1)	—	4,075	397	511	1,574	1,295	2,224	197
Right-of-use assets	24	1,135	92	237	15	275	735	247
Other non-current assets	21	—	38	10	—	4	95	5
Contingent consideration (2)	—	(1,554)	—	—	(2,578)	(3,220)	—	—
Lease liabilities	(23)	(1,128)	(92)	(231)	(14)	(275)	(735)	(247)
Other liabilities	(119)	(1,778)	—	(6)	(36)	(16)	(360)	(428)
Total fair value of net assets acquired	$ 2,247	$ 2,698	$ 716	$ 1,250	$ 696	$ 4,223	$ 14,000	$ 3,000

(1) The Company is in the process of completing its formal valuation analysis to identify and determine the fair value of identifiable intangible assets acquired related to the 2022 and 2023 Acquisitions. Thus, the final allocation of the purchase price may differ from the preliminary allocation at December 31, 2022 and June 30, 2023 based on the completion of the valuation of the identifiable intangible assets.
(2) Contingent consideration refers to additional amounts that management believes may be realized at a future date as future events occur. The terms of these milestones are defined in the purchase agreements of the acquired entities and are based on EBITDA performance over a specified period of time. The amount of the consideration ultimately paid may vary depending on whether future milestone events occur.

During the three and six months ended June 30, 2023, the Company recorded total transaction costs related to the 2022 and 2023 Acquisitions of $85 and $268, respectively. During the three and six months ended June 30, 2022, the Company recorded total transaction costs related to the 2022 Acquisitions of $75 and $127, respectively. These expenses were accounted for separately from the net assets acquired and are included in general and administrative expenses for the three and six months ended June 30, 2023 and 2022.

(Expressed in thousands of US dollars, except share and per share amounts)

Changes to Goodwill, Intangible Assets, and Contingent Considerations

Changes in goodwill, intangible assets, and contingent considerations during the six months ended June 30, 2023, are provided in the following table:

	MWK	KHC (1)	NEK (2)	ICG (3)	PMV (4)	FMH (5)	SHK (6)	KM (7)
Goodwill:								
Balance at December 31, 2022	$ 1,493	$ —	$ 241	$ 668	$ 1,697	$ 6,116	$ —	$ —
Additions	—	—	—	—	—	—	10,660	3,075
Impairment charges	(838)	—	(241)	(250)	(1,697)	(3,339)	(5,557)	—
Balance at June 30, 2023	$ 655	$ —	$ —	$ 418	$ —	$ 2,777	$ 5,103	$ 3,075
Intangible Assets:								
Balance at December 31, 2022	$ —	$ 3,814	$ 397	$ 511	$ 1,574	$ 1,295	$ —	$ —
Additions	—	—	—	—	—	—	2,224	197
Amortization	—	(75)	(19)	(29)	(104)	(37)	(56)	—
Impairment charges	—	(3,739)	(378)	—	(1,470)	—	—	—
Balance at June 30, 2023	$ —	$ —	$ —	$ 482	$ —	$ 1,258	$ 2,168	$ 197
Contingent Consideration:								
Balance at December 31, 2022	$ —	$ —	$ 1,099	$ —	$ 1,835	$ 3,220	$ —	$ —
(Gain) loss recorded	—	—	(1,099)	—	(1,835)	(3,220)	—	—
Balance at June 30, 2023	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(1) As of December 31, 2022, KHC intangible assets consisted of $990 trade names, indefinite-lived and $2,824 customer relationships, amortizing over 10 years.
(2) As of December 31, 2022, NEK intangible assets consisted of $188 trade names, indefinite-lived, and $209 customer relationships, amortizing over 10 years.
(3) As of December 31, 2022, ICG intangible assets consisted of $168 trade names, indefinite-lived, and $343 customer relationships, amortizing over 10 years. As of June 30, 2023, ICG intangible assets consisted of $168 trade names, indefinite-lived, and $314 customer relationships, amortizing over 10 years.
(4) As of December 31, 2022, PMV intangible assets consisted of $330 trade names, indefinite-lived, and $1,244 customer relationships, amortizing over 10 years.
(5) As of December 31, 2022, FMH intangible assets consisted of $51 trade names, indefinite-lived, and $1,244 partner relationships, amortizing over 17 years. As of June 30, 2023, FMH intangible assets consisted of $51 trade names, indefinite-lived, and $1,207 partner relationships, amortizing over 17 years.
(6) As of June 30, 2023, SHK intangible assets consisted of $2,168 partner relationships, amortizing over 10 years.
(7) As of June 30, 2023, KM intangible assets consisted of $197 trade names, indefinite-lived.

Goodwill

During the Company's 2022 annual goodwill impairment test, management updated the estimates of the expected future cash flows for its cash-generating units. As a result, the Company recorded noncash goodwill impairments at MWK and KHC of $710 and $1,769, respectively, for the year ended December 31, 2022.

As a result of the Company's quarterly impairment assessments, the Company recorded noncash goodwill impairments at NEK, PMV, FMH, and SHK of $241, $1,697, $1,617, and $5,557, respectively, for the three months ended June 30, 2023. The Company recorded noncash goodwill impairments at MWK, ICG, NEK, PMV, FMH, and SHK of $838, $250, $241, $1,697, $3,339, and $5,557, respectively, for the six months ended June 30, 2023.

Intangible Assets

During the Company's 2022 annual intangible asset impairment test, management updated the estimates of the expected future cash flows for its cash-generating units. As a result, the Company recorded a noncash intangible asset impairment at KHC of $261 for the year ended December 31, 2022.

As a result of the Company's quarterly impairment assessments, the Company recorded noncash intangible asset impairments at NEK and PMV of $378 and $1,470, respectively, for the three months ended June 30, 2023. The Company recorded noncash intangible asset impairments at

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KHC, NEK, and PMV of $3,739, $378, and $1,470, respectively, for the six months ended June 30, 2023.

Contingent Consideration

Contingent consideration refers to additional amounts that management believes may be realized at a future date as future events occur. The terms of these milestones are defined in the purchase agreements of the acquired entities. The amount of the consideration ultimately paid may vary depending on whether future milestone events occur. The Company reviewed the milestones for each acquisition as of December 31, 2022 and recorded noncash gains on contingent consideration at KHC and PMV of $1,554 and $743, respectively, and a noncash loss on contingent consideration at NEK of $1,099 for the year ended December 31, 2022.

The Company reviewed the milestones for each acquisition quarterly through June 30, 2023 and recorded noncash gains on contingent consideration at NEK, PMV, and FMH of $1,099, $2,058, and $2,607, respectively, for the three months ended June 30, 2023. The Company recorded noncash gains on contingent consideration at NEK, PMV, and FMH of $1,099, $1,835, and $3,220, respectively, for the six months ended June 30, 2023.

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of June 30, 2023 and December 31, 2022, prepaid expenses and other current assets consisted of the following:

	June 30, 2023	December 31, 2022
Prepaid expenses	$ 705	$ 823
Prepaid insurance	257	221
Prepaid marketing	132	127
Prepaid inventory	8	156
Prepaid taxes	1,306	1,306
Other receivables	398	299
Total prepaid expenses and other current assets	$ 2,806	$ 2,932

7. INVENTORY

As of June 30, 2023 and December 31, 2022, the Company's inventory consisted of the following:

	June 30, 2023	December 31, 2022
Raw materials	$ 2,244	$ 2,460
Finished goods	18,565	20,046
Inventory, net of reserves	$ 20,809	$ 22,506

During the three and six months ended June 30, 2023 and 2022, the Company recognized additional provisions and disposals as follows:

	Three Months Ended June 30,		Six Months Ended June 30	
	2023	2022	2023	2022
Beginning balance	$ 1,935	$ 5,880	$ 1,724	$ 6,073
Provisions made during the period	557	584	1,067	968
Disposals and sales during the period	(864)	(1,365)	(1,163)	(1,942)
Ending balance	$ 1,628	$ 5,099	$ 1,628	$ 5,099

(Expressed in thousands of US dollars, except share and per share amounts)

8. PROPERTY AND EQUIPMENT, NET

As of June 30, 2023 and December 31, 2022, the Company's net property and equipment consisted of the following:

	Furniture & Fixtures	Computers & Equipment	Machinery & Equipment	Vehicles	Leasehold Improvement	Total
Cost						
Balance, January 1, 2022	$ 406	$ 832	$ 137	$ 135	$ 1,208	$ 2,718
Additions	13	152	42	—	—	207
Disposals	—	—	—	—	—	—
Balance, December 31, 2022	$ 419	$ 984	$ 179	$ 135	$ 1,208	$ 2,925
Balance, January 1, 2023	$ 419	$ 984	$ 179	$ 135	$ 1,208	$ 2,925
Additions	61	4	11	—	89	165
Disposals	—	—	—	—	—	—
Balance, June 30, 2023	$ 480	$ 988	$ 190	$ 135	$ 1,297	$ 3,090
Accumulated depreciation						
Balance, January 1, 2022	$ 401	$ 730	$ 136	$ 70	$ 1,191	$ 2,528
Additions	1	83	8	26	8	126
Disposals	—	—	—	—	—	—
Balance, December 31, 2022	$ 402	$ 813	$ 144	$ 96	$ 1,199	$ 2,654
Balance, January 1, 2023	$ 402	$ 813	$ 144	$ 96	$ 1,199	$ 2,654
Additions	23	30	7	8	33	101
Disposals	—	—	—	—	—	—
Balance, June 30, 2023	$ 425	$ 843	$ 151	$ 104	$ 1,232	$ 2,755
Net book value						
Balance, December 31, 2022	$ 17	$ 171	$ 35	$ 39	$ 9	$ 271
Balance, June 30, 2023	$ 55	$ 145	$ 39	$ 31	$ 65	$ 335

9. CREDIT FACILITY

In December 2021, the Company entered into an agreement for a two-year line of credit in the amount of the lesser of $20,000 or the Company's borrowing base, as defined in the agreement. The credit facility had a minimum rate of 4.25%. On February 1, 2023, the credit facility was amended.

On February 1, 2023, the Company secured a credit facility for $40,000 in two equal parts, a $20,000 revolver (the "Revolver") and a $20,000 delayed-draw term loan facility (the "Delayed-Draw"), together, the "Credit Facility". The Credit Facility is secured by all the Company's assets. The rate shall be variable based on the margins of the credit facilities. The Delayed-Draw is in place until August 2024, with a maturity date of February 2028, while the Revolver is designed to support day-to-day operations and is in place until February 2028. As of June 30, 2023, the interest rate on the Revolver was 8.25%, which was calculated based on the Wall Street Journal Prime Rate plus 0.00%. As of June 30, 2023, the interest rate on the Delayed-Draw was 9.25%, which was calculated based on the Wall Street Journal Prime Rate plus 1.00%.

As of June 30, 2023, the balance outstanding on the Revolver and the Delayed-Draw was $15,756 and $11,200, respectively. As of December 31, 2022, the balance outstanding on the Revolver and the Delayed-Draw was $16,448 and $0, respectively. As of June 30, 2023 and December 31, 2022, debt issuance costs were $725 and $104, respectively.

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On May 11, 2023 and June 2, 2023, the Company received notices of default from its lender resulting from a failure to meet certain covenants. The lender is currently forbearing its rights related to its notice of default and its rights to accelerate payments or implement the relevant penalty rate, and the Company is continuing to cooperate with the lender. If such demand for repayment were to occur, the Company does not have the financial resources to repay such obligations. The Company is also dependent upon its Credit Facility to fund its operations and satisfy obligations. Accordingly, the Company has taken several actions to continue to support its operations and meet its obligations, including renegotiating payments terms with its customers and suppliers and exploring options to amend or refinance its debt and reduce operating costs and expenditures. Although the Company believes that the actions discussed herein may result in sufficient availability to meet the current covenant requirements, it cannot predict that such actions will be successful. Based on these factors, the Company believes there is substantial doubt about its ability to continue as a going concern.

10. LEASES

The Company has leases for the main warehouse, the offices of its principal operations, and medical offices for its mental health clinics. The main warehouse and principal office building's lease expires in July 2024. The mental health clinics vary in length and extend up to September 2032. The Company recognizes a right-of-use asset and lease liability within its consolidated balance sheets for operating leases with terms greater than twelve months. The Company's lease assets and liabilities recognized within its consolidated financial statements were as follows:

	June 30, 2023	December 31, 2022
Right-of-use asset		
Balance, beginning of period	$ 4,194	$ 3,722
Lease additions or adjustments	1,078	1,970
Right-of-use amortization	(1,011)	(1,498)
Balance, end of period	$ 4,261	$ 4,194
Lease liabilities		
Lease liabilities, beginning of period	$ 4,346	$ 3,800
Lease additions or adjustments	1,084	2,077
Lease payments	(1,085)	(1,666)
Interest expense on lease liabilities	138	135
	$ 4,483	$ 4,346
Lease liabilities, current	$ 2,012	$ 1,817
Lease liabilities, non-current	$ 2,471	$ 2,529

The following is a maturity schedule of leases as of June 30, 2023.

Maturity analysis for lease liabilities	Scheduled Payments
2023	$ 1,142
2024	1,559
2025	492
2026	373
2027	368
Thereafter	1,820
Total future minimum lease payments	$ 5,754
Impact of discount	(1,271)
Lease liability at period end	$ 4,483
Less: current portion of lease liability	(2,012)
Lease liability, net of current portion	$ 2,471

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The majority of the Company's leases do not provide information about the rate implicit in the lease. Because the Company is not able to determine the rate implicit in its leases, it instead generally uses its incremental borrowing rate to determine the present value of lease liabilities. In determining its incremental borrowing rate, the Company reviewed the terms of its leases, its Credit Facility, and other factors. The weighted-average remaining lease term as of June 30, 2023 and December 31, 2022 was 5.10 years and 4.28 years, respectively. The weighted-average discount rate used to calculate the present value of future minimum lease payments as of June 30, 2023 and December 31, 2022 was 7.34% and 6.18%, respectively.

The Company recorded rent expense of $749 and $1,478 for the three and six months ended June 30, 2023, respectively, which included expenses for short-term leases of $149 and $326 for the three and six months ended June 30, 2023, respectively. The Company recorded rent expense of $574 and $1,074 for the three and six months ended June 30, 2022, respectively, which included expenses for short-term leases of $169 and $291 for the three and six months ended June 30, 2022, respectively.

11. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following as of June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Trade payables	$ 11,150	$ 8,209
Accrued compensation	1,603	1,960
Customer refunds	242	211
Interest payable	134	125
Accrued promotions	2,188	5,830
Other accrued expenses	2,075	1,662
Total trade and other payables	$ 17,392	$ 17,997

12. RELATED PARTY TRANSACTIONS

Key management of the Company are the executive members, including the directors, CEO, CFO, COO, and President. For the three and six months ended June 30, 2023 and 2022, remuneration and other payments to the Company's directors and other key management personnel were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Wages and salaries	$ 502	$ 344	$ 994	$ 875

Several notes were issued to various executives during the years ending December 31, 2022 and 2021 (see Note 17). As of June 30, 2023 and December 31, 2022, the Company had notes receivable from shareholders of $6,967 and $6,014, respectively.

Notes receivable from related parties as of June 30, 2023 and December 31, 2022 were $515 and $255, respectively. In January 2023, the Company issued an employee a 4.5% secured promissory note receivable in the amount of $250 due in January 2024. In March 2022, the Company issued an employee a 1% secured promissory note receivable in the amount of $200 due in July 2023. Also included in notes receivable from related parties are expenses incurred by pre-acquisition owners of IN Emergence clinics of $65 and $55 as of June 30, 2023 and December 31, 2022, respectively.

During the three and six months ended June 30, 2023, the Company issued no payments to members of the board. During the three and six months ended June 30, 2022, the Company issued $35 to members of the board.

(Expressed in thousands of US dollars, except share and per share amounts)

13. NOTES PAYABLE

As a part of the acquisition of MWK, the Company acquired an outstanding Small Business Administration (“SBA”) loan with an annual interest rate of 3.75% which is scheduled to mature on April 18, 2050. The outstanding balance as of the date of the acquisition was included in the purchase accounting described above in Note 5. During the first quarter of 2023, the Company repaid this balance in full.

As part of the acquisition of KHC, the Company acquired outstanding SBA loans each with an annual interest rate of 3.75% which are scheduled to mature on June 24, 2050. The outstanding balance as of the date of the acquisition was included in the purchase accounting described above in Note 5. Installment payments are due monthly for principal and interest.

As a part of the acquisition of KM, the Company acquired an outstanding SBA loan with an annual interest rate of 3.75% which is scheduled to mature on June 5, 2050. The outstanding balance as of the date of the acquisition was included in the purchase accounting described above in Note 5. Installment payments are due monthly for principal and interest.

As of June 30, 2023 and December 31, 2022, the outstanding balance related to the SBA loans was $710 and $534, respectively. Accrued interest on the SBA loans as of June 30, 2023 and December 31, 2022 was $46 and $56, respectively, and is included within accrued expenses on the Company’s consolidated financial statements.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The Company is exposed to various risks related to financial instruments. The Board of Directors approves and monitors the risk management processes, inclusive of counterparty limits and 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 United States financial institutions and no losses have been incurred in relation to these items.

The aging of the Company’s trade receivables as of June 30, 2023 and December 31, 2022 is as follows:

	Current	1 - 30 Days past due	31 - 60 Days past due	61 - 90 Days past due	91 + Days past due	Expected Loss	Trade Receivables, Net
June 30, 2023	$ 11,608	2,149	948	1,249	399	(527)	$ 15,826
December 31, 2022	$ 15,353	2,351	3,030	428	527	(378)	$ 21,311

(Expressed in thousands of US dollars, except share and per share amounts)

The carrying amount of cash and trade receivables represent the maximum exposure to credit risk, and as of June 30, 2023 and December 31, 2022, this amounted to $21,769 and $22,111, respectively.

Three customers accounted for approximately 36.3% and 38.7% of the Company's sales within the Products segment for the three and six months ended June 30, 2023, respectively. Three customers represented approximately 43.5% of the net trade receivables balance within the Products segment as of June 30, 2023.

Three customers accounted for approximately 41.0% and 43.9% of the Company's sales within the Products segment for the three and six months ended June 30, 2022, respectively. Three customers represented approximately 61.6% of the net trade receivables balance within the Products segment as of December 31, 2022.

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 its capital requirements on an ongoing basis. As of June 30, 2023 and December 31, 2022, the Company had $5,943 and $800 of cash, respectively. The Company is obligated to pay trade and other payables, lines of credit, and notes payable with a total carrying amount of $56,058 and $35,083 as of June 30, 2023 and December 31, 2022, respectively. The following table summarizes these obligations as of June 30, 2023.

	Carrying Amount	< 1 year	1 - 2 years	2 - 5 years	> 5 years
Trade payables	$ 11,150	$ 11,150	$ —	$ —	$ —
Accrued liabilities	6,242	6,242	—	—	—
Revolver	15,756	15,756	—	—	—
Delayed-Draw	11,200	11,200	—	—	—
Notes payable due to acquiree	11,000	4,875	3,500	2,625	—
Notes payable	710	42	42	126	500
Total	$ 56,058	$ 49,265	$ 3,542	$ 2,751	$ 500

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,137	$ 138
Cash paid for income taxes	—	399
Supplemental disclosure of non-cash investing and financing activities:		
Stock issued in 2022 and 2023 Acquisitions (see Note 5)	977	4,947
Trade receivables acquired	—	79
Other assets acquired	—	94
Trade and other payables acquired	—	1,363
Notes payable acquired	—	532

16. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) plan (the "Plan") which allows all employees meeting the minimum service eligibility requirement to defer up to the maximum amount allowed by the Internal Revenue Code limits on a pre-tax or post-tax basis, or a combination thereof. The Company currently contributes via a discretionary matching contribution equal to the lesser of 50% of an employee's contribution capped at 4% of their annual salary or a maximum of $2 per employee. During six months ended June 30, 2023, the Company paid $125 in Employer matching for the year ended December 31, 2022. The Company accrued expenses related to Employer matching contributions of $30 and $60 for the three and six months ended June 30, 2023 and 2022, respectively. The Plan also allows for discretionary profit-sharing contributions and no such contributions were made during the three and six months ended June 30, 2023 and 2022.

17. NOTES RECEIVABLE FROM SHAREHOLDERS

Notes receivable from shareholders as of June 30, 2023 and December 31, 2022 were $6,967 and $6,014, respectively. The balance consisted of the following notes:

On April 1, 2021, the Company issued two executives separate promissory notes receivable in the amount of $1,620 each in exchange for shares in IN Nevada. At the time of the issuance, these shares were subsequently converted to Class B Shares at IN Nevada. The notes are due and payable on April 1, 2030, and bear interest on their respective unpaid principal, at a rate per annum equal to 1.0% simple interest. The total value of the notes, including accrued interest, are due and payable in a balloon payment upon maturity. The notes are secured by the shares issued and owned by the executives.

On April 8, 2022, IN Nevada issued a grid promissory note receivable to the CEO 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. As of June 30, 2023, there was $1,800 in principal outstanding on the note receivable due and payable in full on April 8, 2024. The note bears interest on the unpaid principal outstanding at a rate per annum equal to 1.3% simple interest. The accrued interest on the unpaid balance of the note is due and payable upon demand. The note is secured by a pledge of Irwin Naturals, Inc. stock (common, or otherwise) owned by the executive.

On October 14, 2022, IN Nevada issued a grid promissory note receivable to the CEO 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 March 2023. As of June 30, 2023, there was $1,800 in principal outstanding on the note receivable due and payable in full on October 14, 2024. The note bears interest on the unpaid principal outstanding at a rate per annum equal to 3.4% simple interest. The accrued interest on the unpaid balance of the note is due and payable upon demand. The note is secured by a pledge of Irwin Naturals, Inc. stock (common, or otherwise) owned by the executive.

There were no principal or interest payments made by the executives for the three and six months ended June 30, 2023 and 2022.

(Expressed in thousands of US dollars, except share and per share amounts)

18. NONCONTROLLING INTEREST

The non-controlling interest of the Company represents the equity of IN Nevada owned by various executives. The following table presents the components of noncontrolling interest as of June 30, 2023 and December 31, 2022.

	June 30, 2023	December 31, 2022
Class B Non-Voting Shares	$ 5,518	$ 5,518
Retained earnings	1,589	117
Current year net (loss) income	(151)	1,472
Total noncontrolling interest	$ 6,956	$ 7,107

19. INCOME TAXES

Income Tax Provision

The components of income tax (benefit) expense for the three and six months ended June 30, 2023 and 2022, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Current tax on profits for the year	$ (2,551)	$ 283	$ (3,190)	$ 979
Adjustment for current tax of prior periods	—	—	—	—
Total income tax (benefit) expense	$ (2,551)	$ 283	$ (3,190)	$ 979

The Company paid no income taxes, net of refunds, during the three and six months ended June 30, 2023.

The Company paid income taxes, net of refunds, of $383 and $399 during the three and six months ended June 30, 2022, respectively.

The Company's effective tax rate was 19.6% for the six months ended June 30, 2023, compared to 36.0% for the prior year period. The decrease in the effective tax rate was primarily due to a combination of an increase in the 2022 tax rate due to a change in prior period tax expense, a change in the difference in the foreign tax rate, and an increase in the projected annual pre-tax book loss for the year ended December 31, 2023 compared to 2022.

20. SEGMENT INFORMATION

The Company has three operating segments: vitamins and other health supplements ("Products"), mental health clinics ("Clinics"), and Corporate.

Segment information for the three months ended June 30, 2023 is as follows:

	Products (1)	Clinics (2)	Corporate	Total
Operating revenue	$ 19,279	$ 2,850	$ –	$ 22,129
Cost of sales	(11,513)	(730)	–	(12,243)
Operating expenses	(8,137)	(2,921)	(679)	(11,737)
Segment operating profit (loss)	$ (371)	$ (801)	$ (679)	$ (1,851)

(1) Includes the operations from the legal entities for IN Nevada and IN Cannabis.
(2) Includes the operations from the 2022 and 2023 Acquisitions. See Note 5.

(Expressed in thousands of US dollars, except share and per share amounts)

Segment information for the three months ended June 30, 2022 is as follows:

	Products (1)	Clinics (2)	Corporate	Total
Operating revenue	$ 21,461	$ 348	$ –	$ 21,809
Cost of sales	(12,212)	(38)	–	(12,250)
Operating expenses	(8,457)	(560)	(37)	(9,054)
Segment operating profit (loss)	$ 792	$ (250)	$ (37)	$ 505

(1) Includes the operations from the legal entities for IN Nevada and IN Cannabis.
(2) Includes the operations from the 2022 Acquisitions. See Note 5.

Segment information for the six months ended June 30, 2023 is as follows:

	Products (1)	Clinics (2)	Corporate	Total
Operating revenue	$ 39,156	$ 5,479	$ –	$ 44,635
Cost of sales	(22,731)	(911)	–	(23,642)
Operating expenses	(17,132)	(5,893)	(1,284)	(24,309)
Segment operating profit (loss)	$ (707)	$ (1,325)	$ (1,284)	$ (3,316)

(1) Includes the operations from the legal entities for IN Nevada and IN Cannabis.
(2) Includes the operations from the 2022 and 2023 Acquisitions. See Note 5.

Segment information for the six months ended June 30, 2022 is as follows:

	Products (1)	Clinics (2)	Corporate	Total
Operating revenue	$ 44,010	$ 393	$ –	$ 44,403
Cost of sales	(23,757)	(41)	–	(23,798)
Operating expenses	(16,564)	(926)	(84)	(17,574)
Segment operating profit (loss)	$ 3,689	$ (574)	$ (84)	$ 3,031

(1) Includes the operations from the legal entities for IN Nevada and IN Cannabis.
(2) Includes the operations from the 2022 Acquisitions. See Note 5.

21. COMMITMENTS AND CONTINGENCIES

Commitments

The Company had no guaranteed contracts, derivative instruments, or off-balance sheet arrangements as of June 30, 2023.

Contingencies

The Company is from time to time engaged in routine litigation. The Company regularly reviews all pending litigation matters in which it is involved and establishes reserves deemed appropriate by management for these litigation matters when a probable loss estimate can be made.

The matter(s) described in this Note may take several years to resolve. The Company may reserve amounts, net of insurance reimbursements, for certain matters that the Company believes represent the most likely outcome of the resolution of these related disputes. If the Company is incorrect in its assessment, the Company may have to record additional expenses when it becomes probable that an increased potential liability is warranted.

Reese v Irwin Naturals (IN Nevada)

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 an IN Nevada product. IN Nevada was served with the complaint on July 23, 2021. Reese did not enumerate a specific amount to be sought in the complaint. We are currently going through the discovery process. The Company believes the defendant's claims are without merit and will vigorously defend itself. The Company is currently unable to reasonably estimate the amount of the loss that may result from an unfavorable outcome and does not believe a loss is probable.

Confidential Arbitration

On May 15, 2023, the Company initiated a confidential arbitration against the former owners of a recently acquired mental health clinic. The Company seeks to rescind and reform the purchase agreement, refund any amounts paid to date by the Company to the sellers, and refund transaction costs and attorney fees incurred by the Company for the acquisition.

Afable v. Irwin Naturals Emergence, Inc.

A lawsuit was filed June 30, 2023 in the United States District Court for the Northern District of Illinois, Eastern Division by Juan C. Afable and Beth Ann Nevius. The complaint alleges breach of contract related to payments secured by a promissory note. The payments are in relation to the acquisition of Serenity Health, LLC by Irwin Naturals Emergence, Inc. Irwin Naturals Emergence, Inc., Serenity Health, LLC, and Irwin Naturals, Inc. are named as defendants. The claim is in the amount of $11,000 plus fees and attorney costs. The claims are denied by the Company, and its related parties named as defendants. A joint motion to stay the case was filed on August 15, 2023.

Contingent Considerations

Contingent consideration refers to the recognition and measurement of an obligation to transfer additional assets or equity interests to the former owners of an acquired entity, depending on the subsequent performance or achievement of certain milestones. As a result of the 2022 Acquisitions (see Note 5), the Company recorded $0 and $6,154 of contingent consideration due to the pre-acquisition owners as of June 30, 2023 and December 31, 2022, respectively. These amounts may be realized at a future date as future events occur. The terms of these milestones are defined in the purchase agreements of the acquired entities. On the acquisition date, the contingent consideration is recorded at its fair value as a liability. The amount of the consideration ultimately paid may vary depending on whether the future milestone events occur, and any adjustments are recorded as a gain or loss in the consolidated financial statements. At least quarterly, the Company reviews contingent considerations for potential adjustments. During the Company's quarterly evaluation of the contingent considerations, management updated the estimates of the contracted milestones, and, as a result, the Company recorded a noncash gain of $5,764 and $6,154 for the three and six months ended June 30, 2023, respectively (see Note 5).

22. SUBSEQUENT EVENTS

As of July 10, 2023, the Panama City, FL and Tallahassee, FL clinics operated by Irwin Naturals Emergence, Inc., were no longer operational.

On July 27, 2023, the Company, through its wholly owned subsidiary Irwin Naturals Emergence, Inc., sold the assets used in the operation of a medical clinic in Vermont, USA via a management service agreement with Hobie Fuerstman D O PLC dba Preventive Medicine ("PMV"). The disposition of the assets was in exchange for the buyer's holdings in the Company. The consideration and disposition was negotiated via an arms-length negotiation. In connection with such sale, the management service agreement with PMV was terminated as of July 27, 2023 and any future consideration related to the PMV transaction on August 11, 2022 is null and void.

On July 31, 2023, the Company, through its wholly owned subsidiary Irwin Naturals Emergence, Inc., sold the assets used in the operation of a medical clinic in New Hampshire, USA via a management service agreement with New England Ketamine ("NEK"). The disposition of the assets was in exchange for the buyer's holdings in the Company and other cash consideration. The consideration and disposition was negotiated via an arms-length negotiation. In connection with such sale, the management service agreement with NEK was terminated as of July 31, 2023 and any future consideration related to the NEK transaction on July 27, 2022 is null and void.