

May 25, 2023



Irwin Naturals Reports Year End 2022 Financial Results and Recent Events

LOS ANGELES, May 25, 2023 (GLOBE NEWSWIRE) -- **Irwin Naturals Inc. (CSE: IWIN) (OTC: IWINF) (FRA: 97X)** ("Irwin" or the "Company") today reported its financial results for the fourth quarter and year ended December 31, 2022, on www.sedar.com.

Financial Highlights for FY 2022(all comparisons are for the year ended December 31 unless otherwise indicated):

- Annual revenue was \$89.5 million, down 10.8% from \$100.3 million in 2021. The decrease is primarily attributed to an overall decrease in business volume from 2021.
- Income from operations decreased \$8.7 million from \$10.6 million in 2021 to \$1.8 million in 2022. The decrease is primarily attributed to an overall decrease in business volume from 2021 paired with startup costs related to the Company's 2022 Acquisitions at Irwin Naturals Emergence (the company acquired twelve mental health clinics in 2022) and Irwin Naturals Cannabis (intellectual property licensing to the cannabis industry).

Financial Highlights for Q4 2022 and Year to Date 2023

- Completed the acquisition of the assets of Care Clinic, Inc., d/b/a Florida Mind Health Center.
- Announced on a licensing agreement one of Oregon's premier mushroom and cannabis product developers, to manufacture, sublicense and distribute Irwin Naturals THC products throughout that state.
- Announced a licensing agreement with a partner in Oklahoma to produce and distribute Irwin Naturals THC products.
- 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 fourth quarter of 2022, we made further progress in meeting our expansion efforts into the high-growth cannabis and psychedelics sectors. We have made the necessary investments in our operations to support sustained long-term growth by entering into several new licensing agreements to distribute Irwin Naturals branded cannabis products and expanded our mental health clinics footprint in Florida through an acquisition.”

Klee Irwin, CEO, commented, “In Q4, we continued to invest in our Emergence clinics and cannabis business lines. Our investment in Emergence now includes eight acquisitions, consisting of 13 clinics, and one advertising platform. We are currently moving forward with phase two of our plan to become the world’s largest chain of dedicated psychedelic mental health clinics through organic growth and development and are currently reviewing options for the first Emergence branded clinic in the United States. Additionally, we anticipate seeing considerable growth coming from our Cannabis business line with the first revenues from our licensing deals to occur in Q2 2023, which now sees us in seven states and in Canada.”

Board of Directors

The Company also announces the election of Sheri Orlowitz as a new director of the Company as of May 12, 2023 to fill the vacancy left by the resignation of Mr. Bismuth earlier this month.

About Irwin Naturals

Irwin Naturals has been a household name and best-in-class nutraceutical company since 1994. It is now leveraging its brand into both the cannabis and psychedelic sectors. On a mission to heal the world with plant medicine, Irwin has operated profitably for over 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”

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:

	Years Ended December 31			
	(in thousands)		\$ Change	% Change
	2022	2021		
Combined Statement of Profit				
Net (loss) income	\$ (2,520)	\$ 10,114	\$ (12,634)	(100.0+)
Interest expense, net	767	131	636	100.0+
Income taxes (recovery)	1,550	(2,186)	3,736	(100.0+)
Depreciation and amortization	1,806	1,428	378	26.5
EBITDA	1,603	9,487	(7,884)	(83.1)
Foreign currency translation adjustments	12	(11)	23	100.0+
Listing expense	500	2,512	(2,012)	(80.1)
Gain on contingent consideration	(1,198)	—	(1,198)	(100.0)
Intangible assets impairment	261	—	261	100.0
Goodwill impairment	2,479	—	2,479	100.0
Adjusted EBITDA	\$ 3,657	\$ 11,988	\$ (8,331)	(69.5)

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ASSETS		
Current assets:		
Cash	\$ 800	\$ 625
Trade receivables, net	21,311	16,394
Inventory	22,506	18,652
Prepaid expenses and other current assets	2,932	1,470
Total current assets	<u>47,549</u>	<u>37,141</u>
Non-current assets:		
Property and equipment, net	271	190
Right-of-use assets	4,194	3,722
Notes receivable from shareholders	6,014	3,264
Notes receivable from related parties	255	—
Goodwill	10,215	—
Intangible assets	7,677	87
Deferred tax asset	2,367	2,650
Other non-current assets	259	165
Total non-current assets	<u>31,252</u>	<u>10,078</u>
TOTAL ASSETS	<u>\$ 78,801</u>	<u>\$ 47,219</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	\$ 17,997	\$ 13,310
Reserve for returns	2,036	814
Lease liabilities, current	1,817	1,366
Line of credit	16,448	6,178
Notes payable, current	36	—
Total current liabilities	<u>38,334</u>	<u>21,668</u>
Non-current liabilities:		
Lease liabilities, non-current	2,529	2,434
Notes payable, non-current	498	—
Contingent consideration	6,154	—
Deferred tax liability	983	1
Total non-current liabilities	<u>10,164</u>	<u>2,435</u>
TOTAL LIABILITIES	<u>48,498</u>	<u>24,103</u>
Equity:		
Class B Non-Voting Shares, 320,000,000 shares authorized, issued and outstanding	13,750	13,750
Subordinate Voting Shares, 2,986,347 shares authorized, issued and outstanding	7,068	3,000
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	—
Warrants reserve	30	—
Accumulated other comprehensive income	3	(9)
Retained (deficit) earnings	(3,324)	681
Total controlling interest	<u>23,196</u>	<u>17,481</u>
Noncontrolling interest	7,107	5,635
TOTAL EQUITY	<u>30,303</u>	<u>23,116</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 78,801</u>	<u>\$ 47,219</u>

Irwin Naturals, Inc.
 Combined 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)

	For the years ended December 31,	
	2022	2021
Operating revenue	\$ 89,470	\$ 100,342
Cost of sales	(48,726)	(55,648)
Gross profit	40,744	44,694
Selling, general and administrative expenses	38,904	34,124
Income from operations	1,840	10,570
Other (income) expenses:		
Interest expense, net	767	131
Listing expense	500	2,512
Loss (gain) on foreign currency exchange	1	(1)
Gain on contingent consideration	(1,198)	—
Goodwill impairment	2,479	—
Intangible assets impairment	261	—
Total other (income) expenses	2,810	2,642
Net (loss) income before income taxes	(970)	7,928
Income tax expense (recovery)	1,550	(2,186)
Net (loss) income	(2,520)	10,114
Less: net income attributable to non-controlling interest	1,472	1,499
Net (loss) income attributable to controlling interest	\$ (3,992)	\$ 8,615
Comprehensive (Loss) Income		
Net (loss) income	\$ (2,520)	\$ 10,114
Foreign currency translation adjustments	12	(11)
Total comprehensive (loss) income	(2,508)	10,103
Less: net income attributable to non-controlling interest	1,472	1,501
Comprehensive (loss) income attributable to controlling interest	\$ (3,980)	\$ 8,602
(Loss) earnings per share, controlling interest – basic	\$ (2.79)	\$ 7.18
(Loss) earnings per share, controlling interest – diluted	\$ (2.79)	\$ 0.03
Weighted average number of shares outstanding – basic	1,431,319	1,200,001
Weighted average number of shares outstanding – diluted	1,431,319	321,218,241

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

	For the years ended December 31,	
	2022	2021
Net (loss) income	\$ (2,520)	\$ 10,114
Adjustments to reconcile to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,806	1,428
Gain on contingent consideration	(1,198)	—
Goodwill impairment	2,479	—
Intangible assets impairment	261	—
Change in warrants reserve	30	—
Change in allowance for doubtful accounts	(12)	—
Change in inventory reserve	(4,349)	(297)
Change in deferred tax asset	1,265	(2,650)
Non-cash share capital from share-based payment transaction	—	3,058
Notes receivable from shareholder	(2,700)	—
Notes receivable from related parties	(255)	—
Interest expense, net	85	132
Income taxes expense (recovery)	—	(2,186)
Changes to working capital:		
Trade receivables	(4,804)	820
Inventory	495	(3,777)
Prepays expenses and other current assets	(1,391)	187
Trade and other payables	3,296	3,728
Reserve for returns	1,221	427
Other non-current assets	(75)	(29)
Net cash (used in) provided by operating activities	(6,366)	10,955
Cash flows from investing activities:		
Purchases of investments	—	(1)
Purchases of property and equipment	(147)	(51)
Business acquisitions, net of cash acquired	(778)	—
Net cash used in investing activities	(925)	(52)
Cash flows from financing activities:		
Proceeds from line of credit	94,590	34,860
Payments to line of credit	(84,212)	(36,183)
Payments of debt issuance costs	(104)	—
Distributions to shareholders	—	(8,059)
Payments on operating leases	(1,666)	(1,327)
Debt repaid after acquisition	(1,098)	—
Purchase of treasury stock	(56)	—
Net cash provided by (used in) financing activities	7,454	(10,709)
Effect of foreign exchange on cash	12	(11)
Net increase in cash	175	183
Cash at beginning of the year	625	442
Cash at end of the year	\$ 800	\$ 625



Source: Irwin Naturals