

**GREY WOLF ANIMAL HEALTH INC.**

**Management's Discussion and Analysis  
for the three- and nine-month periods ended September 30, 2022**

**November 28, 2022**

## INTERPRETATION

This management's discussion and analysis ("**MD&A**") of financial position and results of operations, as approved by the board of directors (the "**Board**") of Grey Wolf Animal Health Inc. ("**Grey Wolf**" or the "**Company**") on November 25, 2022, is prepared for the three- and nine-month periods ended September 30, 2022. This MD&A is supplemental to the Company's unaudited interim condensed consolidated financial statements as at September 30, 2022 (the "**Financial Statements**"). The Financial Statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting.

This MD&A should be read in conjunction with the Financial Statements.

When used in this MD&A:

- "**2020 convertible preferred shares**" means the Class A preferred shares issued by the Company as part of a private placement completed on March 12, 2021;
- "**2021 convertible preferred shares**" means the Series B preferred shares issued by the Company as part of a private placement offering completed on August 31, 2021;
- "**2021 Financial Statements**" means the Company's audited financial statements for the years ended December 31, 2021, December 31, 2020 and January 1, 2020;
- "**common shares**" means common shares in the capital of the Company;
- "**Resulting Issuer**" means Magen as it exists from time-to-time following completion of the Magen Transaction;
- "**Trubalance**" means Trubalance Healthcare Inc.;
- "**Trutina**" means Trutina Pharmacy Inc.;
- "**Trutina Acquisition**" means the acquisition by Grey Wolf on September 1, 2021 of all of the issued and outstanding shares of Trutina and TruBalance for closing consideration of \$20.6 million cash and the issuance of 1,091,500 common shares, having a value of \$1.50 per common share; and

Readers should note that the business carried on by the Animal Health business unit was the only business conducted by Grey Wolf until the acquisition of the Pharmacy business unit pursuant to the Trutina Acquisition on September 1, 2021. Accordingly, Grey Wolf's financial results for the period *prior* to such date relate solely to the Animal Health business unit. Grey Wolf's financial results for the period *subsequent* to September 1, 2021 include the Pharmacy business unit.

Unless the context otherwise requires all financial information is presented on an IFRS basis and all amounts are presented in Canadian dollars.

## CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable Canadian securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading "Notice Concerning Forward-Looking Statement" in the Filing Statement. As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements and information.

## CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain financial measures which are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. These measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for, superior to or as an alternative to analysis of the Company's financial information reported under IFRS.

Management uses Adjusted EBITDA as a measure of the Company's performance. Adjusted EBITDA is a non-IFRS financial measure. The Company defines Adjusted EBITDA as earnings before interest and accretion expense, income taxes, depreciation, and amortization of intangible assets, share-based compensation expense, changes in fair value of

embedded derivatives, foreign exchange gains or losses, change in fair value of contingent consideration, other income, and financing and special transaction costs (including, for greater certainty, fees related to the Magen Transaction and the Trutina Acquisition). The Company considers Adjusted EBITDA as a key metric in assessing business performance and an important measure of operating performance and cash flow, providing useful information to investors and analysts. See “EBITDA and Adjusted EBITDA” in this MD&A for a reconciliation of Adjusted EBITDA to net loss, the most comparable IFRS financial measure.

## **CAUTIONARY NOTE REGARDING COMPARATIVE FINANCIAL INFORMATION**

On September 1, 2021, the Company completed the Trutina Acquisition. For details of the Trutina Acquisition please refer to the Filing Statement at “Part III – Information Concerning the Target Company – Description of the Business – Development of the Business – Three Year History – Fiscal Year 2021.”

The Company previously prepared its consolidated financial statements using Canadian Accounting Standards for Private Enterprises (ASPE). The last set of financial statements prepared under ASPE were for the year ended December 31, 2020. Management elected to prepare the 2021 Financial Statements, and all financial statements prepared after December 31, 2021, in accordance with IFRS. See Note 27 to the 2021 Financial Statements for details regarding Grey Wolf’s election to present its financial statements in accordance with IFRS.

Readers are cautioned that while this MD&A includes certain financial information for, and comparisons to, periods prior to completion of the Trutina Acquisition, changes from, and during, the periods before and after the Trutina Acquisition period may be of limited value in understanding changes to Grey Wolf’s financial condition, financial performance, or business given the significance of the Trutina Acquisition. Readers are advised that the information included in the Financial Statements, 2021 Financial Statements and this MD&A relating to the year ended December 31, 2021 or any period thereof, includes certain pre-Trutina Acquisition results for Grey Wolf (i.e. the information for such periods consists of (i) results prior to September 1, 2021, which reflect only the pre-Trutina Acquisition results for the Company, and (ii) results subsequent to September 1, 2021, which reflect the consolidated results of the Company post-Trutina Acquisition).

## **HIGHLIGHTS FOR THE THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022**

*Comparative results for the period reflect the consolidated results of the Company post-Trutina Acquisition, including the results of the acquired Pharmacy business unit, and comparative results prior to September 1, 2021 reflect only the pre-Trutina Acquisition results for the Company.*

### **Three-month period ended September 30, 2022**

- Total revenue increased by 69% to \$5.8 million from \$3.4 million for the same period in 2021, mainly as a result of \$3.1 million in revenues from the Pharmacy business unit versus \$0.9 million for the same period in 2021 and organic revenue growth from both the Animal Health and Pharmacy business units.
- Gross margins were 51% compared to 53% for the same period in 2021. Gross margins were impacted by the addition of the Pharmacy business unit and product mix in the Animal Health business unit and have remained consistent with previous quarters in 2022.
- Adjusted EBITDA was \$0.8 million compared to \$0.7 million for the same period in 2021.
- The Company completed the three-month period with cash of \$2.9 million, a decrease of \$1.4 million compared to the year ended December 31, 2021. The Company’s cash levels were most impacted by payment of transaction costs related to the Magen Transaction and by an increase in trade and other receivables and inventory.
- The Animal Health business unit:
  - Revenues were \$2.7 million compared to \$2.5 million for the same period in 2021.
- The Pharmacy business unit was acquired on September 1, 2021.
  - Revenues were \$3.1 million for the three-month period ended September 30, 2022 compared to \$0.9 million for the same period in 2021.

### Nine-month period ended September 30, 2022

- Total revenue increased by 105% to \$17.1 million from \$8.3 million for the same period in 2021, mainly as a result of \$9.0 million in revenues from the Pharmacy business unit versus \$0.9 million for the same period in 2021 and organic revenue growth from both the Animal Health and Pharmacy business units.
- Gross margins were 51% compared to 55% for the same period in 2021. Gross margins were impacted by the addition of the Pharmacy business unit and product mix in the Animal Health business unit.
- Adjusted EBITDA was \$2.7 million compared to \$1.6 million for the same period in 2021. Adjusted EBITDA has increased with the addition of the Pharmacy business unit.
- The Animal Health business unit:
  - Revenues were \$8.1 million compared to \$7.4 million for the same period in 2021, an increase of 9% over the same period in 2021.
- The Pharmacy business unit was acquired on September 1, 2021.
  - Revenues were \$9.0 million for the nine-month period ended September 30, 2022 compared to \$0.9 million for the same period in 2021.

## THE MAGEN TRANSACTION

On November 15, 2022, the company entered into an amalgamation agreement with Magen Ventures I Inc. (Magen), to complete a qualifying transaction as defined under Policy 2.4 - Capital Pool Companies of the TSX Venture Exchange. After the amalgamation, Magen changed its name to Grey Wolf Animal Health Corp.

On November 15, 2022, the company completed the qualifying transaction with Magen. Pursuant to the terms of the transaction, the convertible preferred shares and accrued interest were converted into 2,092,989 common shares, and the principal and accrued interest of the convertible notes were converted into 10,676,249 common shares at a price of \$1.50 per common share for the principle and \$2.00 per common share for the accrued interest, in accordance with their original terms.

Prior to the amalgamation, the company issued an additional 450,000 stock options with an exercise price based on the price at which common shares were issued in connection with the qualifying transaction which was \$2.00 per common share.

Prior to the amalgamation, Magen completed a share consolidation of the Magen common shares pursuant to the agreed upon consolidation ratio of 16.6667, resulting in 3,599,995 Magen common shares issued and outstanding after the consolidation, as well as the Magen options and Magen broker warrants which are exercisable to acquire approximately 552,000 Magen common shares.

Pursuant to the amalgamation, each outstanding Grey Wolf Animal Health Inc. common share was exchanged for one fully paid common share of Grey Wolf Animal Health Corp.

Following the above transactions, Grey Wolf Animal Health Corp. has 31,032,222 common shares issued and outstanding.

On November 23, 2022, the shares of Grey Wolf Animal Health Corp. commenced trading on the TSX Venture Exchange under ticker symbol WOLF.

## COMPANY OVERVIEW AND STRATEGY

Grey Wolf is a private company as of September 30, 2022 existing under the *Business Corporations Act* (Ontario). The Company is building a diversified animal health company. The Company's mission is to empower veterinary professionals and pet owners with innovative products to improve the health and wellness of animals in need of care. The primary focus of the Company's corporate strategy is to source, in-license, acquire or develop innovative branded, generic and custom products for commercialization in Canada.

Grey Wolf currently operates two business units: (1) the animal health business unit (which carries on the business conducted by Grey Wolf prior to the completion of the Trutina Acquisition) (the "**Animal Health business unit**"); and (2) the pharmacy business unit (which consists of the businesses carried on by Trutina at the time of completion of the Trutina Acquisition) (the "**Pharmacy business unit**"). The Animal Health business unit began activities in 2015 and enhanced them as a result of the acquisition of Veterinary Healthcare Solutions Inc. on December 31, 2018. The Animal Health business unit focuses on sourcing, in-licensing, acquiring, and commercializing innovative branded and generic

pharmaceutical, nutraceutical, and consumable products for use in veterinary clinics across Canada. The Pharmacy business unit, which was acquired on completion of the Trutina Acquisition on September 1, 2021, develops custom pharmaceuticals, primarily for equine use but also for the bioidentical hormone replacement therapy market, all based on prescriptions received from veterinarians, physicians, and patients.

In addition, Grey Wolf maintains an active program to seek further growth by identifying potential products and companies that complement its existing business model and/or business units. These opportunities may consist of product portfolios in new therapeutic areas, new species such as food-producing animals, new channels such as retail and e-commerce, or new geographies. Grey Wolf identifies these opportunities through its own internal business development efforts as well as from external sources. Once identified, each opportunity is carefully evaluated from a scientific, clinical, commercial, and economic perspectives, etc. to determine its fit within Grey Wolf's business and growth strategy.

## SELECTED QUARTERLY FINANCIAL INFORMATION

	Three months ended		Nine months ended	
	Sep 30, 2022	Sep 30, 2021	Sep 30, 2022	Sep 30, 2021
Revenue	5,809,083	3,440,351	17,107,136	8,336,290
Gross profit	2,965,497	1,825,157	8,765,661	4,624,152
Gross profit %	51%	53%	51%	55%
Total operating expenses	2,977,165	1,791,274	8,975,023	4,404,040
Operating (loss) in come for the period	(11,668)	33,883	(209,362)	220,112
Income tax (recovery) expense	(74,410)	17,331	(242,029)	17,331
Net loss for the period	(1,143,808)	(923,350)	(3,253,382)	(815,229)
<u>Loss per share</u>				
Basic	(0.08)	(0.07)	(0.22)	(0.06)
Diluted	(0.08)	(0.07)	(0.22)	(0.06)
EBITDA	(1,101)	70,307	159,416	763,367
Adjusted EBITDA	775,203	718,774	2,749,203	1,573,190
	Sep 30, 2022	Jun 30, 2022	Dec 31, 2021	Dec 31, 2020
Total assets	35,430,718	35,555,961	36,233,587	7,179,496
Total liabilities	34,464,721	33,493,867	32,157,341	4,357,304
Total non-current liabilities	11,344,412	11,753,583	12,646,283	2,406,773

### RESULTS OF OPERATIONS – THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022

This section of the MD&A contains a discussion of Grey Wolf's operations for the three- and nine-month periods ended September 30, 2022.

Revenue for the three- and nine-month periods ended September 30, 2022, increased 69% to \$5.8 million and 105% to \$17.1 million, respectively, over the same periods in 2021. These increases were mainly due to the Trutina Acquisition on September 1, 2021, and organic revenue growth from both the Animal Health and Pharmacy business units during 2022.

Total expenses for the three- and nine-month periods ended September 30, 2022, increased 66% to \$3.0 million and 104% to \$9.0 million, respectively, over the same periods in 2021. These increases were mainly due to the Trutina Acquisition on September 1, 2021, and increased transaction costs associated with the Magen Transaction of \$0.4 million and \$1.6 million for the three- and nine-month periods ended September 30, 2022.

Operating loss was \$0.01 million and \$0.2 million for the three- and nine-month periods ended September 30, 2022, compared to an operating profit of \$0.03 million and \$0.2 million for the same periods in 2021. Operating profit has been impacted by \$0.4 million and \$1.6 million of costs for the three- and nine-month periods ended September 30, 2022,

respectively, related to the Magen Transaction.

### Animal Health Business Unit

Revenue for the three- and nine-month periods ended September 30, 2022, increased 6.5% to \$2.7 million and 8.6% to \$8.1 million, respectively, over the same periods in 2021. Revenues increased from organic growth in existing products.

Cost of sales consists of amounts paid for finished goods. Cost of sales were \$1.2 million and \$3.6 million for the three- and nine-month periods ended September 30, 2022. Cost of sales, when measured as a percentage of total revenue, was 44% and 45% compared to 44% and 43% for the three- and nine-month periods ended September 30, 2022, and for the same periods in 2021.

Gross profit was \$1.5 million and \$4.4 million for the three- and nine-month periods ended September 30, 2022, compared to \$1.4 million and \$4.2 million for the same periods in 2021.

### Pharmacy Business Unit

The Pharmacy Business unit was acquired on September 1, 2021, and therefore comparative figures for the three- and nine-month period ended September 30, 2021 include only one month of results for the Pharmacy Business.

Revenue for the three- and nine-month periods ended September 30, 2022, was \$3.1 million and \$9.0 million, respectively.

Cost of sales consists of components and ingredients used to compound medications, labour, and overhead attributable to the compounding process. Cost of sales for the three- and nine-month periods ended September 30, 2022, was \$1.7 million and \$4.7 million, respectively. Cost of sales, when measured as a percentage of total revenue, was 53% and 52% for the three- and nine-month periods ended September 30, 2022.

Gross profit was \$1.5 million and \$4.3 million for the three- and nine-month periods ended September 30, 2022.

## EBITDA and Adjusted EBITDA

	Three months ended		Nine months ended	
	Sep 30, 2022	Sep 30, 2021	Sep 30, 2022	Sep 30, 2021
<b>Net loss for the period</b>	<b>(1,143,808)</b>	<b>(923,350)</b>	<b>(3,253,382)</b>	<b>(815,229)</b>
Interest	852,968	695,322	2,465,490	886,552
Income taxes	(74,410)	17,331	(242,029)	17,331
Depreciation of property and equipment	70,676	30,437	210,349	33,174
Depreciation of right of use assets	49,723	23,825	139,405	69,647
Amortization of intangible assets	243,750	226,742	839,583	571,892
<b>EBITDA</b>	<b>(1,101)</b>	<b>70,307</b>	<b>159,416</b>	<b>763,367</b>
<u>Adjustments</u>				
Share-based compensation	47,711	42,151	143,133	126,453
Change in fair value of embedded derivatives	324,327	246,098	797,027	92,220
Foreign exchange loss (gain)	29,255	(1,518)	33,532	(9,794)
Change in fair value of contingent consideration	-	-	-	72,972
Other income	-	-	(10,000)	(23,940)
Transaction costs	375,011	361,736	1,626,095	551,912
<b>Adjusted EBITDA</b>	<b>775,203</b>	<b>718,774</b>	<b>2,749,203</b>	<b>1,573,190</b>

EBITDA differs from net loss as it excludes: interest and accretion expense, income taxes, depreciation, and amortization of intangible assets. EBITDA decreased \$0.1 million and \$0.6 million for the three- and nine-months ended September 30, 2022, as compared to the same period in 2021. Adjusted EBITDA is earnings before interest and accretion expense, income taxes, depreciation, and amortization of intangible assets, share-based compensation expense, changes in fair

value of embedded derivatives, foreign exchange gains or losses, change in fair value of contingent consideration, other income, and financing and special transaction costs (including, for greater certainty, fees related to the Magen Transaction and the Trutina Acquisition). Adjusted EBITDA increased \$0.1 million and increased \$1.2 million for the three- and nine-months ended September 30, 2022, as compared to the same period in 2021. Adjusted EBITDA primarily increased as a result of contribution from the Pharmacy unit.

## **OUTLOOK**

Grey Wolf is building a diversified animal health company. Grey Wolf's mission is to empower veterinary professionals and pet owners with innovative products to improve the health and wellness of animals in need of care. The primary focus of the Company's corporate strategy is to source, in-license, acquire or develop innovative branded, generic and custom products for commercialization in Canada.

The Company's Animal Health business unit acquires the Canadian sales and marketing rights to late-stage development or commercial products, either through acquisition or long-term in-licensing or distribution agreements with animal health companies who do not have a presence in Canada. It then primarily focuses on selling, marketing, and distributing pharmaceutical, nutraceutical and consumable products to veterinary clinics across Canada using its integrated sales and marketing team to target clinics and pet owners. Grey Wolf's targeted commercial approach is focused on increasing penetration of clinics and increasing average sales per clinic. Grey Wolf continues to believe there is opportunity to grow sales by adding new products to the roster of products already purchased by a clinic and by increasing the average sales of established and new products per clinic. For example, if a clinic is already purchasing Grey Wolf's anesthetic products, the Company can build on that relationship to grow sales of those products and also add additional products such as needles, syringes or Medical Pet Shirts which are also used in surgical and medical procedures. During the nine-month period ended September 30, 2022, the Animal Health business unit contributed \$8.1 million (47%) out of Grey Wolf's consolidated revenues of \$17.1 million.

The Company's Pharmacy business unit was acquired on September 1, 2021, when the Company completed the Trutina Acquisition. The Pharmacy business unit carries on the business of developing custom pharmaceuticals, primarily for equine applications but also for the bioidentical hormone replacement therapy market. The Pharmacy business unit receives prescriptions from veterinarians, physicians and patients specifying the exact dosage and format of specified ingredients, compounds the product at its facility and ships the compounded product directly to (i) veterinarians who then dispense it to their patients or (ii) patients. During the nine-month period ended September 30, 2022, the Pharmacy business unit contributed \$9.0 million (53%) out of Grey Wolf's consolidated revenue of \$17.1 million during the period.

The Company opened 2022 with \$4.4 million in cash and had \$2.9 million at the end September 2022. The Company's cash levels were most impacted by the payment of transaction costs related to the Magen Transaction and an increase in trade and other receivables and inventory.

During the nine-month period ended September 30, 2022, the Company incurred \$2.5 million in interest and accretion expenses.

As at September 30, 2022, the Company had a working capital surplus of \$4.4 million (including \$2.9 million cash but after backing out an aggregate \$18.8 million in current liabilities relating to the 2021, 2020 and 2018 convertible debentures, the 2021 and 2020 convertible preferred shares and associated liability of embedded derivatives which became current due to the pendency of the Magen Transaction) compared to \$5.1 million (including \$4.4 million cash) as at December 31, 2021. During the remainder of 2022, the Company expects to continue to focus its efforts on growth through increased sales of its established product line. Subject to risks, uncertainties and new business opportunities that might arise, the Company expects it will have sufficient capacity to fund its organic growth and budgeted expenditures for 2022 without the need for additional external financing.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's closing cash balance decreased by \$1.4 million to \$2.9 million compared to a closing cash balance of \$4.4 million for the year ended December 31, 2021. For the nine-months ended September 30, 2022, the Company's cash levels were most impacted by the payment of transaction costs related to the Magen Transaction and an increase in trade and other receivables and inventory.

As at September 30, 2022, Grey Wolf had outstanding borrowings of \$10.3 million, of which \$1.0 are current and \$9.3

million are non-current. On August 25, 2021, the Company entered into a \$11,500,000 financing arrangement with CWB Maxium Financial Inc. The loan bears fixed interest at a rate of 4.0% per annum on \$10,000,000 and 10.0% per annum on the remaining \$1,500,000. The loan is secured and initially repayable in 60 equal monthly instalments of \$120,742 which commenced on October 1, 2021. The Company has an annual debt service coverage ratio financial covenant and is in compliance with this debt covenant as of December 31, 2021.

On November 15, 2022, the Company completed the qualifying transaction with Magen. Pursuant to the terms of the transaction, the convertible preferred shares and accrued interest were converted into 2,092,989 common shares, and the principal and accrued interest of the convertible notes were converted into 10,676,249 common shares at a price of \$1.50 per common share for the principle and \$2.00 per common share for the accrued interest, in accordance with their original terms.

In addition to cash generated from operations and financing activities, the Company has a \$750,000 credit facility (the “RBC Facility”) with Royal Bank of Canada (“RBC”) which is secured by the Animal Health business unit’s inventory and accounts receivable. The RBC Facility bears interest at an annual rate equal to RBC’s prime rate plus 1%, with interest being payable monthly in arrears. The purpose of the RBC Facility is to fund working capital. As at September 30, 2022 and the date of this MD&A, no amount is outstanding.

Grey Wolf ended the third quarter of 2022 with \$2.9 million in cash. In connection with the completion of the Magen Transaction, the conversion into common shares of up to the aggregate outstanding principal amount of the 2018, 2020 and 2021 convertible debentures, the 2020 and 2021 convertible preferred shares and the conversion to common shares of accrued, but unpaid, interest obligations in connection with the 2018 and 2021 convertible debentures and the unpaid dividends in respect of the 2021 convertible preferred shares are expected to further strengthen Grey Wolf’s balance sheet through the elimination of current liabilities associated therewith.

Subject to various risks and uncertainties, the Company expects that it will generate sufficient cash flow from operations and has adequate cash and debt facilities available to finance its operations (at their current levels and taking into account anticipated growth), working capital requirements, contractual obligations, debt obligations as well as its other budgeted expenditures. If unexpected circumstances should arise, the Company may elect to decrease its discretionary expenditures or seek financing by way of additional loans or the issuance of equity or debt securities.

### **Operating Activities**

Cash (used in) provided by operating activities for the nine months ended September 30, 2022 was (\$0.6) million compared to \$1.5 million for the same period in 2021. This increase in cash used was primarily due to increased revenues offset by higher cost of sales and expenses such as those related to sales and marketing and general and administrative expenses, related to the Magen Transaction.

### **Investing Activities**

Cash used in investing activities for the nine months ended September 30, 2022 was \$0.04 million compared to \$22.8 million for the same period in 2021. This decrease in cash used was due to the payments in 2021 related to the Trutina Acquisition and contingent consideration related to the previous Veterinary Healthcare Solutions Inc. acquisition. All contingent consideration has now been paid.

### **Financing Activities**

Cash (used in) provided by financing activities for the nine months ended September 30, 2022 was (\$0.8) million compared to \$23.6 million for the same period in 2021. This decrease in cash provided was primarily due to the proceeds from borrowings and issuance of convertible debentures and convertible preferred shares related to the Trutina Acquisition completed September 1, 2021, as compared to repayment of borrowings and lease liabilities in the current period.

## **RELATED PARTY TRANSACTIONS**

During the three and nine-months ended September 30, 2022, the Company paid a total of \$4,910 and \$14,706, respectively, (2021 – \$4,835 and \$14,480) to a related security holder for advisory services, accounting and bookkeeping services and office rent. As at September 30, 2022, \$nil (December 31, 2021 – \$1,000) was payable to this related security holder and included in accounts payable and accrued liabilities.

A shareholder of the Company holds 80,000 stock options, which were granted in 2018 and are fully vested.

Compensation was paid in the ordinary course of business to the Company's directors and officers for services rendered in those capacities.

## OFF -BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as of the date of this MD&A.

## CAPITAL STRUCTURE

The Company's authorized share capital consists of: (i) an unlimited number of common shares, (ii) an unlimited number of 2020 convertible preferred shares, and (iii) an unlimited number of 2021 convertible preferred shares. As of September 30, 2022 and the date of this MD&A, the Company had outstanding 14,662,989 common shares, 340,736 2020 convertible preferred shares and 1,205,000 2021 convertible preferred shares.

On November 15, 2022, the Company completed the qualifying transaction with Magen. Pursuant to the terms of the transaction, the convertible preferred shares and accrued interest were converted into 2,092,989 common shares, and the principal and accrued interest of the convertible notes were converted into 10,676,249 common shares at a price of \$1.50 per common share for the principle and \$2.00 per common share for the accrued interest, in accordance with their original terms.

Pursuant to the amalgamation, each outstanding Grey Wolf Animal Health Inc. common share was exchanged for one fully paid common share of Grey Wolf Animal Health Corp. In total, 27,432,227 common shares were exchanged.

## DIVIDENDS AND DIVIDEND POLICY

The Company has never declared or paid cash dividends on its common shares. It currently intends to retain its future earnings, if any, to fund the development and growth of its business, and does not anticipate paying any cash dividends on its common shares in the near future.

Holders of 2020 convertible preferred shares were entitled to be paid cumulative dividends, payable quarterly in cash in arrears, at a rate of 5.0% per annum. As at the date hereof, the Company has satisfied all of its obligations to pay such dividends.

Holders of 2021 convertible preferred shares were entitled to be paid cumulative dividends, payable at a rate of 10.0% per annum. Dividends were accrued and converted to common shares upon completion of the Magen Transaction.

No discretionary dividends were declared in respect of the 2020 convertible preferred shares or 2021 convertible preferred shares.

## QUARTERLY FINANCIAL INFORMATION

The following information is derived from the Company's unaudited quarterly financial information for each of the prior six quarters for which it has readily available financial information.

	Three months ended					
	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	June 30, 2021
Revenue	5,809,083	6,140,758	5,157,295	4,759,149	3,440,315	2,549,664
Gross profit	2,965,497	3,194,003	2,606,161	2,524,817	1,825,157	1,505,265
Gross profit %	51%	52%	51%	53%	53%	59%
Total operating expenses	2,977,165	3,428,525	2,569,333	2,674,519	1,791,274	1,408,826
Operating (loss) income for the period	(11,668)	(234,522)	36,828	(149,702)	33,883	96,439
Income tax (recovery) expense	(74,410)	(128,004)	(39,615)	(939,517)	17,331	-
Net loss for the period	(1,143,808)	(1,099,802)	(1,009,772)	(153,710)	(923,350)	68,027
<u>Earnings (loss) per share</u>						
Basic	(0.08)	(0.08)	(0.06)	(0.01)	(0.07)	0.01
Diluted	(0.08)	(0.08)	(0.06)	(0.01)	(0.07)	0.00
EBITDA	(1,101)	(48,674)	209,191	122,342	70,307	364,051
Adjusted EBITDA	775,203	1,127,952	846,048	379,891	718,774	516,857

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

With the completion of the Magen Transaction, Grey Wolf Animal Health Corp. is a “venture issuer” as defined by National Instrument 51-102 - *Continuous Disclosure Obligations*. As such, the Chief Executive Officer and the Chief Financial Officer will not be required to certify that they have designed and evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting. Instead, the Company will file a Certification of Annual Filings – Venture Issuer Basic Certificate or Certification of Interim Filings – Venture Issuer Basic Certificate, as the case may be, pursuant to which the Chief Executive Officer and the Chief Financial Officer certify the performance of a review of the information, no knowledge of misrepresentations and the fair presentation of the information in the annual or interim filings, as applicable.

## **RISK FACTORS**

An investment in the Company involves risks, certain of which are described in the Filing Statement under the heading “Part V - General Matters - Risk Factors”.

Descriptions of the risks relating to Grey Wolf’s financial instruments are set out in Note 12 to the 2021 Financial Statements.

Readers are cautioned that the risks described in the Financial Statements and Filing Statement are not intended as a complete list of all exposures that the Company is encountering or may encounter, nor does it describe all risks inherent in an investment in the securities of the Company. Potential investors and security holders should carefully consider the risks described therein. If any of those risks materialize, the Company’s business, prospects, financial condition, financial performance, and cash flows could be materially adversely impacted. In that case, the value or trading price of the securities of the Company could decline and investors could lose all or part of their investment in such securities. There is no assurance that any risk management steps taken will avoid future loss due to the occurrence of those risks or otherwise.

## **ADDITIONAL INFORMATION**

Additional information about the Company and Magen is contained in the Filing Statement. With the completion of the Magen Transaction, information about Resulting Issuer is contained in disclosure documents filed by it with the applicable Canadian securities regulatory authorities and available under Grey Wolf Animal Health Corp’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).