

Grey Wolf Animal Health Inc.

Interim Condensed Consolidated Financial
Statements

September 30, 2022

Grey Wolf Animal Health Inc.
Interim Condensed Consolidated Statements of Financial Position

	September 30, 2022	December 31, 2021
	\$	\$
Assets		
Current assets		
Cash	2,915,986	4,351,857
Trade and other receivables	2,089,897	1,124,652
Inventories (note 6)	3,394,263	2,869,189
Prepaid expenses	256,706	125,164
Total current assets	<u>8,656,852</u>	<u>8,470,862</u>
Non-current assets		
Property and equipment (note 7)	1,179,964	1,351,677
Right-of-use assets (note 14)	960,899	938,462
Goodwill and intangible assets (note 10)	24,633,003	25,472,586
Total non-current assets	<u>26,773,866</u>	<u>27,762,725</u>
Total assets	<u>35,430,718</u>	<u>36,233,587</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,960,767	2,221,394
Income taxes payable	67,529	75,287
Borrowings (note 11)	1,044,085	927,692
Lease liabilities (note 14)	198,477	135,084
Convertible debentures (note 12)	11,614,147	10,031,770
Convertible preferred shares (note 12)	2,456,277	2,137,833
Embedded derivatives (note 12)	4,779,027	3,981,998
Total current liabilities	<u>23,120,309</u>	<u>19,511,058</u>
Non-current liabilities		
Borrowings (note 11)	9,279,590	10,028,733
Lease liabilities (note 14)	764,084	788,408
Deferred tax liabilities	1,300,738	1,829,142
Total non-current liabilities	<u>11,344,412</u>	<u>12,646,283</u>
Total liabilities	<u>34,464,721</u>	<u>32,157,341</u>
Equity		
Share capital (note 8)	9,689,144	9,689,144
Equity component of convertible debentures	2,005,112	2,005,112
Warrants (note 9)	3,320,931	3,320,931
Contributed surplus	1,042,278	899,145
Deficit	(15,091,468)	(11,838,086)
Total equity	<u>965,997</u>	<u>4,076,246</u>
Total equity and liabilities	<u>35,430,718</u>	<u>36,233,587</u>

Approved by the Board of Directors

Director _____ Director
The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Grey Wolf Animal Health Inc.

Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

	Three months ended September 30,		Nine months ended September 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Revenue (note 5)	5,809,083	3,440,351	17,107,136	8,336,290
Cost of sales	2,843,586	1,615,194	8,341,475	3,712,138
Gross profit	2,965,497	1,825,157	8,765,661	4,624,152
Expenses				
Sales and marketing (note 15)	930,573	611,755	2,776,610	1,706,670
General and administrative (note 15)	1,373,238	723,782	4,060,139	1,526,994
Distribution (note 15)	324,477	142,118	1,006,118	343,186
Regulatory (note 15)	14,782	17,269	32,612	52,830
Depreciation and amortization (notes 7, 10 and 14)	286,384	254,199	956,411	647,907
Share-based compensation (note 13)	47,711	42,151	143,133	126,453
	2,977,165	1,791,274	8,975,023	4,404,040
Other (income) expense	(11,668)	33,883	(209,362)	220,112
Interest expense	852,968	695,322	2,465,490	886,552
Change in fair value of embedded derivatives (note 12)	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)
Loss before income taxes	(1,218,218)	(906,019)	(3,495,411)	(797,898)
Current income tax expense	102,970	17,331	286,375	17,331
Deferred income tax recovery	(177,380)	-	(528,404)	-
	(74,410)	17,331	(242,029)	17,331
Net loss and comprehensive loss for the period	(1,143,808)	(923,350)	(3,253,382)	(815,229)
Basic loss per share for the period (note 18)	(0.08)	(0.07)	(0.22)	(0.06)
Diluted loss per share for the period (note 18)	(0.08)	(0.07)	(0.22)	(0.06)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Grey Wolf Animal Health Inc.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

	Nine months ended September 30, 2022					
	Share capital \$	Equity component of convertible debentures \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
Balance – Beginning of period	9,689,144	2,005,112	3,320,931	899,145	(11,838,086)	4,076,246
Net loss for the period	-	-	-	-	(3,253,382)	(3,253,382)
Share-based compensation expense	-	-	-	143,133	-	143,133
Balance – End of period	9,689,144	2,005,112	3,320,931	1,042,278	(15,091,468)	965,997
	Nine months ended September 30, 2021					
	Share capital \$	Equity component of convertible debentures \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
Balance – Beginning of period	8,051,894	2,005,112	2,916,179	718,154	(10,869,147)	2,822,192
Issuance of share capital	1,637,250	-	-	-	-	1,637,250
Issuance of warrants	-	-	404,752	-	-	404,752
Net loss for the period	-	-	-	-	(815,229)	(815,229)
Share-based compensation expense	-	-	-	126,453	-	126,453
Balance – End of period	9,689,144	2,005,112	3,320,931	844,607	(11,684,376)	4,175,418

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Grey Wolf Animal Health Inc.

Interim Condensed Consolidated Statements of Cash Flows

	Nine months ended September	
	2022	2021
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(3,253,382)	(815,229)
Adjustments to reconcile loss for the period to net cash flows		
Depreciation of property and equipment (note 7)	210,349	25,778
Depreciation of right-of-use assets (note 14)	139,405	76,043
Amortization of intangible assets (note 10)	839,583	571,892
Amortization of financing fees	30,756	54,258
Forgiveness on repayment of borrowings (note 16)	(10,000)	-
Interest expense (notes 11, 12 and 14)	1,971,376	720,404
Change in fair value of embedded derivatives (note 12)	797,027	92,220
Change in fair value of contingent consideration	-	72,972
Share-based compensation expense (note 13)	143,133	126,453
Income tax (recovery) expense	(242,029)	17,331
Income tax paid	(294,133)	(83,437)
Working capital changes		
Trade and other receivables	(965,245)	5,106
Inventories	(525,074)	(712,855)
Prepaid expenses	(131,542)	(8,705)
Accounts payable and accrued liabilities	739,373	1,388,089
	<u>(550,403)</u>	<u>1,530,320</u>
Investing activities		
Acquisitions, net of cash received	-	(22,160,813)
Purchase of property and equipment (note 7)	(38,636)	-
Payment of contingent consideration	-	(600,000)
	<u>(38,636)</u>	<u>(22,760,813)</u>
Financing activities		
Proceeds from borrowings	-	11,500,000
Repayment of borrowings (note 11)	(693,475)	(30,000)
Payment of principal portion of lease liabilities (note 14)	(153,357)	(78,985)
Proceeds from issuance of convertible debentures	-	11,175,000
Proceeds from issuance of convertible preferred shares	-	2,482,500
Financing fees paid	-	(1,454,923)
	<u>(846,832)</u>	<u>23,593,592</u>
(Decrease) increase in cash during the period	(1,435,871)	2,363,099
Cash – Beginning of period	4,351,857	2,129,290
Cash – End of period	2,915,986	4,492,389
Supplementary information		
Interest paid	463,368	76,041

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Grey Wolf Animal Health Inc.

Notes to Interim Condensed Consolidated Financial Statements

September 30, 2022

1 Nature of operations

Grey Wolf Animal Health Inc. and its subsidiaries (the Company) is a private company at September 30, 2022 that was incorporated under the Business Corporations Act (Ontario) on March 24, 2015. 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.

The Company's head office is located at 65 Front Street East, Suite 201, Toronto, Ontario, M5E 1B5.

2 Basis of presentation

The Company prepares its interim condensed consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) applicable to the preparation of interim condensed consolidated financial statements, including International Accounting Standard (IAS) 34, Interim Financial Reporting. These interim condensed consolidated financial statements are presented in Canadian dollars and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2021, which were prepared in accordance with IFRS.

The interim condensed consolidated financial statements have been prepared using the accrual basis of accounting at historical cost except for contingent consideration and embedded derivatives, which are measured at fair value.

These interim condensed consolidated financial statements were approved by the Board of Directors on November 25, 2022.

3 Summary of significant accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2021.

4 Significant accounting judgments, estimates and assumptions

Application of accounting policies requires management to use estimates and judgments that can have significant effects on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the interim condensed consolidated financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

Grey Wolf Animal Health Inc.

Notes to Interim Condensed Consolidated Financial Statements

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There have been no material revisions to the nature of estimates and judgments reported in the Company's consolidated financial statements for the year ended December 31, 2021.

5 Revenue

The Company recognizes revenue on sale of products, commissions and other revenue in the interim condensed consolidated financial statements. All revenue is generated in Canada. The total revenue recognized in these categories is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Types of revenue				
Product revenue	5,295,918	2,861,513	15,553,835	6,736,904
Commissions and other revenue	513,165	578,838	1,553,301	1,599,386
Total revenue	<u>5,809,083</u>	<u>3,440,351</u>	<u>17,107,136</u>	<u>8,336,290</u>

6 Inventories

	September 30, 2022 \$	December 31, 2021 \$
Raw materials	1,219,866	1,118,510
Finished goods	2,234,397	1,800,679
Inventory reserve	(60,000)	(50,000)
	<u>3,394,263</u>	<u>2,869,189</u>

The cost of inventory recognized as an expense and included in the interim condensed consolidated statements of operations and comprehensive loss as part of cost of sales was \$2,398,236 and \$7,010,697 for the three and nine months ended September 30, 2022, respectively (2021 – \$1,486,482 and \$3,583,426).

Grey Wolf Animal Health Inc.

Notes to Interim Condensed Consolidated Financial Statements

September 30, 2022

7 Property and equipment

	Office furniture and equipment \$	Computer equipment and software \$	Lab equipment \$	Leasehold improvements \$	Total \$
Cost					
Balance at December 31, 2021	69,283	32,662	121,734	1,234,911	1,458,590
Additions	860	37,776	-	-	38,636
Balance at September 30, 2022	70,143	70,438	121,734	1,234,911	1,497,226
Depreciation and impairment					
Balance at December 31, 2021	8,787	11,169	10,465	76,492	106,913
Depreciation	9,129	13,243	25,038	162,939	210,349
Balance at September 30, 2022	17,916	24,412	35,503	239,431	317,262
Net book value					
December 31, 2021	60,496	21,493	111,269	1,158,419	1,351,677
September 30, 2022	52,227	46,026	86,231	995,480	1,179,964

Depreciation included in cost of sales for the nine months ended September 30, 2022 was \$175,360 (2021 – \$19,409).

8 Share capital

Authorized

Unlimited number of common shares without par value

Issued and outstanding

	Number of shares	
	September 30, 2022	December 31, 2021
Common shares	14,662,989	14,662,989

9 Warrants

Equity warrants issued concurrently with the convertible debentures and preferred shares had the following fair values at initial recognition, and they provide the following rights to exercise at a future date.

The Company also issued equity warrants to compensate third party brokers for transaction costs incurred directly in relation to the issuances of certain convertible debentures, preferred shares and loans.

Grey Wolf Animal Health Inc.

Notes to Interim Condensed Consolidated Financial Statements

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Issuance/related issuance	Number of common share entitlements	Exercise price \$	Expiry date	Fair value at initial recognition \$
2018 convertible debentures	497,800	2.00	December 20, 2022	86,928
2018 broker warrants	38,000	1.50	December 20, 2022	6,636
2021 convertible debentures	1,393,750	2.10	August 31, 2024	231,875
2021 convertible preferred shares	301,250	2.10	August 31, 2024	50,118
2021 broker warrants	682,000	2.10	August 31, 2024	122,759
		Investor warrants	Broker warrants	Total warrants
Balance at December 31, 2021 and September 30, 2022		<u>2,192,800</u>	<u>720,000</u>	<u>2,912,800</u>

10 Goodwill and intangible assets

Goodwill and intangible assets of the Company consisted of the following:

	Goodwill \$	Product right \$	Customer relationships \$	Brand \$	Pre-1954 Charter \$	Total \$
Cost						
At December 31, 2021	13,889,254	2,070,900	6,800,000	2,700,000	2,300,000	27,760,154
At September 30, 2022	13,889,254	2,070,900	6,800,000	2,700,000	2,300,000	27,760,154
Amortization and impairment						
At December 31, 2021	-	2,070,900	216,668	-	-	2,287,568
Amortization	-	-	839,583	-	-	839,583
At September 30, 2022	-	2,070,900	1,056,251	-	-	3,127,151
Net book value						
At December 31, 2021	13,889,254	-	6,583,332	2,700,000	2,300,000	25,472,586
At September 30, 2022	13,889,254	-	5,743,749	2,700,000	2,300,000	24,633,003

Grey Wolf Animal Health Inc.

Notes to Interim Condensed Consolidated Financial Statements

September 30, 2022

11 Borrowings

A summary of the movements in borrowings is as follows:

	CEBA Loan \$	CWB credit loan \$	Total borrowings \$
Balance at December 31, 2021	50,000	10,906,425	10,956,425
Forgiven borrowings (note 16)	(10,000)	-	(10,000)
Repayment of borrowings	-	(693,475)	(693,475)
Interest and accretion expense	-	463,932	463,932
Interest paid	-	(393,207)	(393,207)
Balance at September 30, 2022	40,000	10,283,675	10,323,675
Current borrowings	40,000	1,004,085	1,044,085
Non-current borrowings	-	9,279,590	9,279,590
	40,000	10,283,675	10,323,675

12 Convertible debentures, convertible preferred shares and embedded derivatives

Convertible debentures

	September 30, 2022 \$	December 31, 2021 \$
2018 convertible debentures	822,668	645,959
2020 convertible debentures	982,844	914,110
2021 convertible debentures	9,808,635	8,471,701
	11,614,147	10,031,770
Current portion	11,614,147	10,031,770
Non-current portion	-	-

Convertible preferred shares

	September 30, 2022 \$	December 31, 2021 \$
2020 convertible preferred shares	336,205	306,730
2021 convertible preferred shares	2,120,072	1,831,103
	2,456,277	2,137,833
Current portion	2,456,277	2,137,833
Non-current portion	-	-

Grey Wolf Animal Health Inc.

Notes to Interim Condensed Consolidated Financial Statements

September 30, 2022

The movement in the convertible debentures and convertible preferred shares for the three and nine months ended September 30, 2022 comprised interest and accretion expense.

Embedded derivatives

	September 30, 2022 \$	December 31, 2021 \$
2020 convertible debentures	454,339	468,596
2020 convertible preferred shares	170,847	172,657
2021 convertible debentures	3,415,585	2,747,000
2021 convertible preferred shares	738,256	593,745
	<hr/>	<hr/>
	4,779,027	3,981,998
Current portion	4,779,027	3,981,998
Non-current portion	-	-

Convertible preferred shares issued and outstanding

Authorized

Unlimited number of 2020 convertible preferred shares (Class A preferred shares) and 2021 convertible preferred shares (Series B preferred shares)

Issued and outstanding

	Number of shares	
	September 30, 2022 \$	December 31, 2021 \$
2021 convertible preferred shares	340,736	340,736
2022 convertible preferred shares	1,205,000	1,205,000

Financial instruments carried at fair value

The Company analyzes its financial instruments carried at fair value by valuation method. The measurement is classified based on the lowest level of significant input:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., prices) or indirectly (i.e., derived from prices); and
- Level 3 inputs are inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

The Company's embedded derivatives relating to the convertible debentures and convertible preferred shares are classified as Level 3 in the fair value hierarchy.

Grey Wolf Animal Health Inc.

Notes to Interim Condensed Consolidated Financial Statements

September 30, 2022

There were no transfers between any level during the nine months ended September 30, 2022 and September 30, 2021.

Description of significant unobservable inputs to embedded derivative valuation

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at September 30, 2022, are shown below:

	Valuation technique	Significant unobservable inputs	Range/point estimate (weighted average)	Sensitivity of the input to fair value of the embedded derivative
2021 convertible debentures – embedded conversion options	DCF method	Discount for counterparty credit risk	2022 – 24.5%	1% increase (decrease) would result in a decrease (increase) of \$6,406 (\$6,487) in the fair value
2021 convertible preferred shares – embedded conversion options	DCF method	Discount for counterparty credit risk	2022 – 24.5%	1% increase (decrease) would result in a decrease (increase) of \$1,385 (\$1,402) in the fair value
2020 convertible debentures – embedded conversion options	“With” approach (binomial lattice method) “Without” approach (DCF method)	Discount for counterparty credit risk	2022 – 24.5%	2021 Issuances – 1% increase (decrease) would result in a decrease (increase) of \$99 (\$100) in the fair value 2020 Issuances – 1% increase (decrease) would result in a decrease (increase) of \$5,445 (\$5,475) in the fair value
2020 convertible preferred shares – embedded conversion options	“With” approach (binomial lattice method) “Without” approach (DCF method)	Discount for counterparty credit risk	2022 – 24.5%	2021 Issuances - 1% increase (decrease) would result in a decrease (increase) of \$288 (\$290) in the fair value 2020 Issuances – 1% increase (decrease) would result in a decrease (increase) in value of \$1,790 (\$1,801) in the fair value

13 Share-based compensation

The Company has a stock option plan where up to 2,543,393 (December 31, 2021 – 2,543,393) stock options are available for grant to employees, executives and consultants of the Company. Under the terms of the stock option plan, the exercise price per common share will not be less than the fair value of the Company’s common shares on the date prior to the date of grant of the stock option.

The Board of Directors of the Company administers the stock option plan and determines the vesting and terms of each award. The stock options granted under the stock option plan, unless otherwise specified by the administrator of the stock option plan at the time of granting a stock option, will have a vesting period of three years and an expiration period of ten years from the date of grant.

Changes to the stock option plan subsequent to period-end are discussed in note 21.

Share-based compensation expense for the three and nine months ended September 30, 2022 was \$47,711 and \$143,133, respectively (2021 – \$42,151 and \$126,453).

Grey Wolf Animal Health Inc.

Notes to Interim Condensed Consolidated Financial Statements

September 30, 2022

A summary of the stock option changes during the nine months ended September 30, 2022 and the total number of stock options outstanding as at that date and changes since December 31, 2021 are set forth below:

	Number of stock options	Weighted average exercise price \$
Balance at December 31, 2021 and September 30, 2022	1,383,500	1.26

The following table summarizes information about the stock options outstanding as at September 30, 2022.

Exercise price \$	Number of stock options	Weighted average remaining contractual life in years	Number of outstanding exercisable
0.88	345,000	4.62	345,000
1.30	570,000	6.27	570,000
1.50	468,500	8.43	90,167
	<u>1,383,500</u>	<u>6.71</u>	<u>1,005,167</u>

14 Leases

The Company has lease contracts for property and office equipment. Leases of office equipment are generally between three to five years, while the property leases have an initial term of 18 months to five years with one property lease having an extension option. Management exercises judgment in determining whether this extension option is reasonably certain to be exercised and has included this extension option in the calculation of the lease liabilities and right-of-use assets. The rental payments for the property lease extension will be adjusted at the time of extension based on the market rate at that date. No other lease contracts include extension options.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Property \$	Office equipment \$	Total \$
As at December 31, 2021	935,186	3,276	938,462
Additions	161,842	-	161,842
Depreciation expense	(136,129)	(3,276)	(139,405)
As at September 30, 2022	<u>960,899</u>	<u>-</u>	<u>960,899</u>

Depreciation included in cost of sales for the nine months ended September 30, 2022 was \$57,566 (2021 – \$6,396).

Grey Wolf Animal Health Inc.

Notes to Interim Condensed Consolidated Financial Statements

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Set out below are the carrying amounts of lease liabilities and the movements during the period:

	\$
As at December 31, 2021	923,492
Additions	161,842
Payments	(153,357)
Accretion of interest	30,584
	<u>962,561</u>
As at September 30, 2022	<u>962,561</u>

A breakdown of the current and non-current portion of lease liabilities is as follows:

	September 30, 2022 \$	December 31, 2021 \$
Current lease liabilities	198,477	135,084
Non-current lease liabilities	764,084	788,408
	<u>962,561</u>	<u>923,492</u>

15 Nature of expenses

	Three months ended September 30,		Nine months ended September 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Sales and marketing				
Salary, bonus, benefits	588,644	440,080	1,793,230	1,264,371
Travel, meals, business expenses	70,952	45,204	185,328	117,367
Professional and outside services	79,649	42,934	221,510	94,155
Advertising and promotion	141,732	70,433	451,076	196,755
Other expenses	49,596	13,104	125,466	34,022
	<u>930,573</u>	<u>611,755</u>	<u>2,776,610</u>	<u>1,706,670</u>
Total sales and marketing				
	Three months ended September 30,		Nine months ended September 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
General and administrative				
Salary, bonus, benefits	512,646	233,560	1,407,548	649,723
Travel, meals, business expenses	3,666	1,991	15,673	3,122
Professional and outside services	613,222	429,037	2,147,995	766,654
Other expenses	243,704	59,194	488,923	107,495
	<u>1,373,238</u>	<u>723,782</u>	<u>4,060,139</u>	<u>1,526,994</u>
Total general and administrative				

Grey Wolf Animal Health Inc.

Notes to Interim Condensed Consolidated Financial Statements

September 30, 2022

	Three months ended September 30,		Nine months ended September 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Distribution				
Salary, bonus, benefits	50,490	37,564	139,841	123,962
Travel, meals, business expenses	1,560	1,330	4,873	4,450
Professional and outside services	175	169	525	699
Other expenses	18,725	1,429	65,919	20,783
Freight expense	253,527	101,626	794,960	193,292
Total distribution	324,477	142,118	1,006,118	343,186
Regulatory				
Professional and outside services	14,782	17,269	32,612	52,830
Total regulatory	14,782	17,269	32,612	52,830

16 Government loans

On April 24, 2020, the Company received an \$80,000 CEBA Loan. On February 24, 2022, the Company was forgiven \$10,000 based on a January 19, 2021 payment of \$30,000 against \$40,000 of the original CEBA Loan.

The CEBA Loan bears nil% interest until December 31, 2022. If the balance is not paid by December 31, 2022, the remaining balance will be converted into a three-year term loan at 5% annual interest, paid monthly, effective January 1, 2023. The full balance must be repaid by no later than December 31, 2025. If the Company fully repays the loan by December 2022, then an additional \$10,000 in loan forgiveness is available.

17 Contingencies

Claims and legal actions

In the normal course of operations, the Company may be subject to litigation. When appropriate, management will record a provision while it actively pursues its position. When it is the opinion of management that the likelihood and measurability of the potential liability is not determinable, no provision will be recorded. As at September 30, 2022, \$nil was recorded in relation to legal claims (December 31, 2021 – \$nil).

Indemnifications

All directors and officers of the Company are indemnified by the Company for various items including, but not limited to, all costs to settle lawsuits or actions due to their association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential future lawsuits or actions. The term of the indemnification is not explicitly defined but is limited to events for the period during which the indemnified party served as a director or officer of the Company. The maximum amount of any potential future payment cannot be reasonably estimated but could have a material adverse effect on the Company.

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The Company has also indemnified third parties in relation to certain debt and equity offerings and their respective affiliates and directors, officers, employees, shareholders, partners, advisers and agents and each other person, if any, controlling any of the third parties or their affiliates against certain liabilities.

18 Loss per share

The following table shows the calculation of basic and diluted loss per share:

	Three months ended September 30,		Nine months ended September 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Net loss for the period	(1,143,808)	(923,350)	(3,253,382)	(815,229)
Weighted average number of common shares	14,662,989	13,692,767	14,662,989	13,692,767
Basic loss per share	(0.08)	(0.07)	(0.22)	(0.06)
Diluted loss per share	(0.08)	(0.07)	(0.22)	(0.06)

Of the 1,383,500 stock options and 2,912,800 warrants not included in the calculation of diluted loss per share for the three and nine months ended September 30, 2022, 3,917,967 were exercisable.

19 Segment reporting

The Company has two reportable operating segments: the Animal Health business unit and the Pharmacy business unit. The chief operating decision maker for the Company comprises the Chief Executive Officer and the Board of Directors.

Animal Health business unit

The Animal Health business unit, which began activities in 2015 and grew as a result of the acquisition of Veterinary Healthcare Solutions Inc. in 2018, primarily focuses on selling, marketing and distributing pharmaceutical, nutraceutical and consumable products to veterinary clinics across Canada.

Pharmacy business unit

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.

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The following tables set forth gross profit, property and equipment, goodwill and intangible assets, right-of-use assets, total assets and total liabilities by reportable operating segment as at and for the three and nine months ended September 30, 2022 and as at and for the year ended December 31, 2021. The Company had two operating segments following the acquisition of Trutina on September 1, 2021.

	Three months ended September 30, 2022		
	Animal Health \$	Pharmacy \$	Total \$
Revenue	2,696,679	3,112,404	5,809,083
Cost of sales	1,184,033	1,659,553	2,843,586
Gross profit	1,512,646	1,452,851	2,965,497

	Nine months ended September 30, 2022		
	Animal Health \$	Pharmacy \$	Total \$
Revenue	8,067,070	9,040,066	17,107,136
Cost of sales	3,646,184	4,695,291	8,341,475
Gross profit	4,420,886	4,344,775	8,765,661

	Three months ended September 30, 2021		
	Animal Health \$	Pharmacy \$	Total \$
Revenue	2,531,018	909,333	3,440,351
Cost of sales	1,105,659	509,535	1,615,194
Gross profit	1,425,359	399,798	1,825,157

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	Nine months ended September 30, 2021		
	Animal Health \$	Pharmacy \$	Total \$
Revenue	7,426,957	909,333	8,336,290
Cost of sales	3,202,603	509,535	3,712,138
Gross profit	4,224,354	399,798	4,624,152

	As at and for the nine-month period ended September 30, 2022		
	Animal Health \$	Pharmacy \$	Total \$
Total assets	7,692,165	27,738,553	35,430,718
Total liabilities	30,229,943	4,234,778	34,464,721
Property and equipment	31,813	1,148,151	1,179,964
Right-of-use assets	134,868	826,031	960,899
Goodwill and intangible assets	1,712,336	22,920,667	24,633,003
Additions to property and equipment and intangible assets	33,395	5,241	38,636
Depreciation and amortization	83,193	1,106,144	1,189,337

	As at and for the year ended December 31, 2021		
	Animal Health \$	Pharmacy \$	Total \$
Total assets	9,771,952	26,461,635	36,233,587
Total liabilities	28,015,132	4,142,209	32,157,341
Property and equipment	7,995	1,343,682	1,351,677
Right-of-use assets	46,641	891,821	938,462
Goodwill and intangible assets	1,712,336	23,760,250	25,472,586
Additions to property and equipment and intangible assets	-	10,921,017	10,921,017
Depreciation and amortization	785,889	335,844	1,121,733

20 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.

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

Compensation of key management personnel

Key management includes the Company's directors and executive management team. The remuneration of directors and the senior management team was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Salary, benefits, director fees and bonus	333,908	268,975	1,003,654	823,327
Share-based compensation expense	47,711	42,151	143,133	115,545
	<u>381,619</u>	<u>311,126</u>	<u>1,146,787</u>	<u>938,872</u>

21 Subsequent events

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 principal 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.