

# **MAGEN VENTURES I INC.**

## **FILING STATEMENT**

**IN RESPECT OF THE QUALIFYING TRANSACTION PURSUANT TO POLICY 2.4 OF THE  
TSX VENTURE EXCHANGE WITH GREY WOLF ANIMAL HEALTH INC.**

Dated as of October 30, 2022

*All information contained in this Filing Statement with respect to Grey Wolf Animal Health Inc. was supplied by Grey Wolf Animal Health Inc. for inclusion herein.*

*All information contained in this Filing Statement with respect to Magen Ventures I Inc. was supplied by Magen Ventures I Inc. for inclusion herein.*

*Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this Filing Statement.*

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## GLOSSARY

In this Filing Statement, unless otherwise indicated or the context otherwise requires, the following terms have the meaning set forth below:

**“1954 Status”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Pharmacy Business Unit*.

**“2018 Broker Share”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2018 Broker Warrants”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2018 Debenture”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2018 Debenture Units”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2018 Offering”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2018 Warrant”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2018 Warrant Share”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2020 Debenture”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2020 Offering”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2020 Preferred Shares”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2021 Agency Agreement”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2021 Agents”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2021 Broker Share”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2021 Broker Warrants”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2021 Debenture”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2021 Debenture Units”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2021 Debt Placement Broker Warrants”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2021 Offering”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2021 Preferred Share Units”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2021 Warrant”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“2021 Warrant Share”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“Affiliate”** or **“Affiliates”** means a Company that is affiliated with another Company as described below.

A Company is an "Affiliate" of another Company if:

- a) one of them is the subsidiary of the other, or
- b) each of them is controlled by the same Person.

A Company is "controlled" by a Person if:

- a) Voting Shares of the Company are held, other than by way of security only, by or for the benefit of that Person, and
- b) the Voting Shares, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

- a) a Company controlled by that Person, or
- b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

**“Agent”** has the meaning ascribed thereto in *Part II - Information Concerning the Issuer – General Development of the Business*.

**“Amalco”** means the amalgamated corporation formed upon the amalgamation of Grey Wolf and Subco pursuant to the Amalgamation to be named “Grey Wolf Animal Health Inc.” or such other name as may be agreed to by the Parties.

**“Amalco Shares”** means the common shares in the share capital of Amalco, all of which will be owned beneficially and of record by the Resulting Issuer.

**“Amalgamation”** means the three-cornered amalgamation among Magen, Grey Wolf and Subco whereby Magen will acquire all of the issued and outstanding Grey Wolf Shares.

**“Amalgamation Agreement”** means the agreement among Grey Wolf, Magen and Subco in respect of the Amalgamation, to be substantially in the form attached as Schedule “A” to the Definitive Agreement.

**“Associate”** or **“Associates”** when used to indicate a relationship with a Person, means

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him or her to more than 10% of the voting rights attached to all outstanding voting securities of the Company;
- (b) any partner of the Person;
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity; and
- (d) in the case of a Person who is an individual
  - (i) that Person's spouse or child, or
  - (ii) any relative of that Person or of his or her spouse who has the same residence as that Person

but

- (e) where the Exchange determines that two Persons shall, or shall not, be deemed to be Associates with respect to a member firm, member corporation or holding company of a member corporation, then such determination shall be determinative of their relationships in the application of Rule D.1.00 of the TSX Venture Exchange Rule Book and Policies with respect to that member firm, member corporation or holding company.

**"Automatic Conversion"** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**"BBDC"** means Bloom Burton Development Corp.

**"BBSI"** means Bloom Burton Securities Inc.

**"Bloom Burton"** means Bloom Burton & Co. Inc. (BBCI).

**"Business"** means selling, marketing and/or compounding a broad portfolio of products that meet the unmet needs of veterinarians, physicians and patients across Canada.

**"CAGR"** means compound annual growth rate.

**"Change of Auditor"** means the appointment of PricewaterhouseCoopers LLP, the current auditors of Grey Wolf, as auditors of Magen upon completion of the Proposed Qualifying Transaction and the resignation of MNP LLP as the auditors of Magen.

**"Closing Date"** means the date upon which the Proposed Qualifying Transaction shall be completed.

**"Company"** unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

**"Completion of the Qualifying Transaction"** means the date of the Final QT Exchange Bulletin issued by the Exchange.

**"Consolidation"** means a consolidation of the issued and outstanding Magen Shares on the basis of the Consolidation Ratio.

**"Consolidation Ratio"** means one (1) post-Consolidation Magen Share for every 16.6667 pre-Consolidation Magen Shares, or such other ratio as may be mutually agreed between the Parties.

**“Control Person”** means any Person or Company that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding Voting Shares of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the Company.

**“CPC”** or **“Capital Pool Company”** means a corporation or trust;

- (a) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities exchange commissions in compliance with the CPC Policy; and
- (b) in regard to which the Final QT Exchange Bulletin has not yet been issued.

**“CPC Escrow Agreement”** means the escrow agreement dated May 17, 2021 among Magen, the Escrow Agent and certain securityholders of Magen pursuant to the CPC Policy.

**“CPC Escrow Securities”** means those Magen Shares and stock options to purchase Magen Shares held in escrow pursuant to Section 11 of the CPC Policy and released in accordance with the applicable provisions of the CPC Escrow Agreement.

**“CPC Policy”** means Exchange Policy 2.4 - *Capital Pool Companies*.

**“CVMA”** means the Canadian Veterinary Medical Association.

**“CWB Loan”** means the term loan in the amount of \$11,500,000 provided to Grey Wolf by CWB Maxium Financial Inc.

**“Definitive Agreement”** has the meaning ascribed thereto in *Part I - The Proposed Qualifying Transaction*.

**“Echelon”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“Escrow Agent”** means TSX Trust Company, in its capacities, as the context requires as: (A) escrow agent for the Magen Shares held in escrow under the CPC Escrow Agreement; and (B) escrow agent for the QT Escrow Agreement, which shall be a Value Security Escrow Agreement, to be entered into prior to or concurrently with the Completion of the Qualifying Transaction.

**“Exchange”** or **“TSXV”** means the TSX Venture Exchange.

**“Executive Agreements”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Executive Compensation*.

**“Final QT Exchange Bulletin”** means the bulletin issued by the Exchange following the closing of the Proposed Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Proposed Qualifying Transaction.

**“Grey Wolf Board”** means the board of directors of the Target Company as may be constituted from time to time.

**“Grey Wolf Broker Warrants”** means the following non-transferable broker warrants of Grey Wolf exercisable to purchase Grey Wolf Common Shares: (i) 38,000 2018 Broker Warrants, (ii) 452,000 2021 Broker Warrants, and (iii) 230,000 2021 Debt Placement Broker Warrants.

**“Grey Wolf Common Shares”** means the common shares in the capital of Grey Wolf.

**“Grey Wolf Convertible Debentures”** means the 2018 Debentures, 2020 Debentures and 2021 Debentures.

**“Grey Wolf Convertible Securities”** means the Grey Wolf Options, Grey Wolf Warrants and Grey Wolf Broker Warrants.

**“Grey Wolf Financial Statements”** means the audited consolidated financial statements of Grey Wolf for the years ended December 31, 2021 and 2020 and as at January 1, 2020 and the unaudited interim consolidated financial statements of Grey Wolf for the six months ended June 30, 2022 and the notes thereto.

**“Grey Wolf Liquidity Event”** means (i) the listing of the Grey Wolf Common Shares on a recognized exchange in Canada or the United States; (ii) the sale of all or substantially all of the issued and outstanding Grey Wolf Common Shares or all or substantially all of the assets of Grey Wolf for cash proceeds or for securities provided that such securities are listed and posted for trading on a recognized exchange; (iii) the amalgamation, merger, arrangement, reverse takeover or any other corporate transaction involving Grey Wolf with or into another entity pursuant to which the common shares of the Resulting Issuer from such transaction are listed on a recognized exchange; or (iv) the amalgamation, merger, arrangement, reverse takeover or any other corporate transaction involving Grey Wolf with or into another private entity pursuant to which the common shares of the Resulting Issuer from such transaction have a deemed value of not less than (A) for Class A preferred shares, \$1.50 per common share, and (B) for Series B Preferred shares, \$2.10 per common share, in each case, whether issued for new securities in the resulting company or for cash.

**“Grey Wolf Options”** means the stock options to purchase Grey Wolf Common Shares granted to Grey Wolf’s directors, officers, employees, contractors and other eligible persons, of which there are 1,383,500 Grey Wolf Options issued and outstanding, (i) 345,000 of which are each currently exercisable to acquire one (1) Grey Wolf Common Share at an exercise price of \$0.88 per Grey Wolf Common Share until April 18, 2027, (ii) 520,000 of which are each currently exercisable to acquire one (1) Grey Wolf Common Share at an exercise price of \$1.30 per Grey Wolf Common Share until December 14, 2028, (iii) 50,000 of which are each currently exercisable to acquire one (1) Grey Wolf Common Share at an exercise price of \$1.30 per Grey Wolf Common Share until April 22, 2029, (iv) 75,000 of which are each currently exercisable to acquire one (1) Grey Wolf Common Share at an exercise price of \$1.50 per Grey Wolf Common Share until October 1, 2030, (v) 155,000 of which are each currently exercisable to acquire one (1) Grey Wolf Common Share at an exercise price of \$1.50 per Grey Wolf Common Share until November 18, 2030, (vi) 13,500 of which are each currently exercisable to acquire one (1) Grey Wolf Common Share at an exercise price of \$1.50 per Grey Wolf Common Share until November 30, 2030, and (vii) 225,000 of which are each currently exercisable to acquire one (1) Grey Wolf Common Share at an exercise price of \$1.50 per Grey Wolf Common Share until December 10, 2031.

**“Grey Wolf Preferred Shares”** means the Class A preferred shares and Series B Preferred Shares in the capital of Grey Wolf.

**“Grey Wolf Shareholders”** or **“Grey Wolf Shareholder”** means a registered holder of Grey Wolf Shares, from time to time.

**“Grey Wolf Shares”** means the Grey Wolf Common Shares; for greater certainty, for purposes of the Amalgamation, the Grey Wolf Shares shall include any Grey Wolf Common Shares issuable upon the conversion or exercise of the Grey Wolf Preferred Shares and Grey Wolf Convertible Securities prior to the completion of the Proposed Qualifying Transaction.

**“Grey Wolf Subsidiaries”** means, collectively, Trutina, TruBalance and 2775506 Ontario Inc.

**“Grey Wolf Warrants”** means the share purchase warrants of Grey Wolf exercisable to purchase Grey Wolf Common Shares, (i) 497,800 2018 Warrants, and (ii) 1,695,000 2021 Warrants.

**“IFRS”** means the International Financial Reporting Standards as issued by the International Accounting Standards Board.

**“Initial Listing Requirements”** means the minimum financial, distribution and other standards that must be met by applicants seeking a listing on a particular tier of the TSXV.

**“Insider(s)”** if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;
- (b) a director or senior officer of a company that is an Insider or subsidiary of the issuer;
- (c) a person that beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the issuer; or
- (d) the issuer itself if it holds any of its own securities.

**“Issuer”** or **“Magen”** means Magen Ventures I Inc., a corporation incorporated pursuant to the OBCA.

**“Lock Up”** has the meaning ascribed thereto in Part IV – *Information Concerning the Resulting Issuer – Escrowed Securities of the Resulting Issuer*.

**“Locked-Up Shares”** has the meaning ascribed thereto in Part IV – *Information Concerning the Resulting Issuer – Escrowed Securities*.

**“Magen Board”** means the board of directors of Magen as may be constituted from time to time.

**“Magen Broker Warrants”** means the 3,200,000 broker warrants of Magen, each entitling the holder thereof to purchase one Magen Share at an exercise price of \$0.10 until June 17, 2026.

**“Magen Director Appointments”** means, subject to the completion of the Amalgamation, the reconstitution of the Magen Board to consist of five (5) directors being Shawn Aspden, Dr. Ian Sandler, Robert Harris, Jill Angevine and Diane Bourassa, subject to any requisite TSXV approval, to take effect on the date the Amalgamation occurs.

**“Magen Options”** means the 6,000,000 stock options to purchase Magen Shares granted to Magen’s directors and officers under the Magen Stock Option Plan, (i) 5,000,000 of which are each currently exercisable to acquire one (1) Magen Share at an exercise price of \$0.05 per Magen Share until February 22, 2026, and (ii) 1,000,000 of which are each currently exercisable to acquire one (1) Magen Share at an exercise price of \$0.10 per Magen Share until June 17, 2026.

**“Magen Shareholder”** means a holder of Magen Shares, from time to time.

**“Magen Shares”** means the common shares in the capital of Magen. For purposes of the Amalgamation, the Magen Shares to be issued to Grey Wolf Shareholders, shall be issued on a post-Consolidation basis.

**“Magen Stock Option Plan”** means the incentive stock option plan adopted by Magen on February 22, 2021, as same may be amended from time to time.

**“Maturity Date”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“MD&A”** means management’s discussion and analysis.

**“Name Change”** means a change in the name of Magen to “Grey Wolf Animal Health Corp.” or such other similar name as may be determined by the Magen Board as directed by Grey Wolf in compliance with applicable laws and as may be acceptable to the TSXV.

**“NAPRA”** means the National Association of Pharmacy Regulatory Authorities.

**“Non-Arm’s Length Qualifying Transaction”** means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction.

**“NI 58-101”** means National Instrument 58-101 – *Disclosure of Corporation Governance Practices*.

**“OBCA”** means the *Business Corporations Act* (Ontario), including the regulations promulgated thereunder, as amended.

**“Old Trutina”** has the meaning ascribed thereto in Part III – *Information Concerning the Target Company – Description of the Business – Development of the Business – Three Year History – Fiscal Year 2021*.

**“Parties”** means collectively, Magen, Grey Wolf and Subco, and **“Party”** means any one of them.

**“Person”** or **“person”** means a company or an individual.

**“Phillios”** means Phillios Drugs Limited.

**“Preferred Holder”** has the meaning ascribed thereto in the articles of Grey Wolf.

**“Proposed Qualifying Transaction”** means the Issuer’s proposed Qualifying Transaction with Grey Wolf pursuant to the terms of the Definitive Agreement, which shall include, for greater certainty, the Consolidation, the Amalgamation, the Name Change, the Change of Auditor, the Magen Director Appointments and all related transactions or steps to be completed to give effect to the Qualifying Transaction.

**“QT Escrow Agreement”** means the escrow agreement, which shall be a Value Security Escrow Agreement, in accordance with TSXV Policy 5.4 *Escrow, Vendor Consideration and Resale Restrictions* between the Issuer, the Escrow Agent, Grey Wolf Shareholders who will be principals of the Issuer upon completion of the Proposed Qualifying Transaction, and certain other individuals as determined by the TSXV.

**“Qualifying Transaction”** means a transaction where the CPC acquires Significant Assets, other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means.

**“RBC Credit Agreement”** means the revolving demand credit facility agreement dated January 14, 2021, as amended on August 31, 2021, between Grey Wolf and the Royal Bank of Canada.

**“RBC Credit Facility”** means the revolving demand credit facility in the amount of \$750,000 provided to Grey Wolf by the Royal Bank of Canada, as set out in the RBC Credit Agreement.

**“Resulting Issuer”** means the Issuer that was formerly a CPC, which exists upon issuance of the Final QT Exchange Bulletin.

**“Resulting Issuer Board”** means the board of directors of the Resulting Issuer as may be constituted from time to time.

**“Resulting Issuer Broker Warrants”** means the broker warrants to purchase Resulting Issuer Shares to be issued to (A) the holders of the Grey Wolf Broker Warrants in replacement for their Grey Wolf Broker

Warrants, (i) 38,000 of which will each be exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$1.50 per Resulting Issuer Share until December 20, 2022, and (ii) 682,000 of which will each be exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$2.10 per Resulting Issuer Share until August 31, 2024, and (B) the holders of the Magen Broker Warrants in replacement for their Magen Broker Warrants after giving effect to the Consolidation, 192,000 of which will each be exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$1.6667 per Resulting Issuer Share until June 17, 2026.

**“Resulting Issuer Options”** means 2,193,499 stock options to purchase Resulting Issuer Shares to be issued to (A) the holders of the Grey Wolf Options in replacement for their Grey Wolf Options, (i) 345,000 of which will each be exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$0.88 per Resulting Issuer Share until April 18, 2027, (ii) 520,000 of which will each be exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$1.30 per Resulting Issuer Share until December 14, 2028, (iii) 50,000 of which will each be exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$1.30 per Resulting Issuer Share until April 22, 2029, (iv) 75,000 of which will each be exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$1.50 per Resulting Issuer Share until October 1, 2030, (v) 155,000 of which are each currently exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$1.50 per Resulting Issuer Share until November 18, 2030, (vi) 13,500 of which will each be exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$1.50 per Resulting Issuer Share until November 30, 2030, (vii) 225,000 of which will each be exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$1.50 per Resulting Issuer Share until December 10, 2031 and (viii) 450,000 of which will be issued immediately prior to Closing and which will each be exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$2.00 per Resulting Issuer Share until the date that is 10 years from the date of issuance; and (B) the holders of the Magen Options in replacement for their Magen Options, after giving effect to the Consolidation, (i) approximately 299,999 of which will each be exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$0.8333 per Resulting Issuer Share until February 22, 2026, and (ii) approximately 60,000 of which will each be exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$1.6667 per Resulting Issuer Share until June 17, 2026.

**“Resulting Issuer Shares”** means the common shares in the capital of the Resulting Issuer.

**“Resulting Issuer Warrants”** means 2,192,800 warrants to purchase Resulting Issuer Shares to be issued to the holders of the Grey Wolf Warrants in replacement for their Grey Wolf Warrants, (i) 497,800 of which will each be exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$2.00 per Resulting Issuer Share until December 20, 2022, and (ii) 1,695,000 of which will each be exercisable to acquire one (1) Resulting Issuer Share at an exercise price of \$2.10 per Resulting Issuer Share until August 31, 2024.

**“Series B Preferred Share”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Description of the Business - Financings*.

**“Significant Assets”** means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions would result in the CPC meeting the Initial Listing Requirements of the Exchange.

**“Subco”** means 1000348459 Ontario Inc., a corporation incorporated by Magen pursuant to the OBCA created for the sole purpose of effecting the Amalgamation, which corporation is a wholly-owned subsidiary of Magen.

**“Subco Shares”** means the common shares in the capital of Subco.

**“Sublease”** has the meaning ascribed thereto in *Part III - Information Concerning the Target Company - Non-Arm's Length Transactions*.

“**Target Company**” or “**Grey Wolf**” means Grey Wolf Animal Health Inc., the company to be acquired by the Issuer as its Qualifying Transaction.

“**TruBalance**” means TruBalance Healthcare Inc.

“**Trutina**” has the meaning ascribed thereto in Part III – *Information Concerning the Target Company – Description of the Business – Development of the Business – Three Year History – Fiscal Year 2021*.

“**Trutina Acquisition**” has the meaning ascribed thereto in Part III – *Information Concerning the Target Company – Description of the Business – Development of the Business – Three Year History – Fiscal Year 2021*.

“**Trutina Financial Statements**” means the audited financial statements of Trutina for the year ended December 31, 2020 and the interim financial statements of Trutina for the eight month period ended August 31, 2021, being the date of the Trutina Acquisition, and the notes thereto.

“**Value Security Escrow Agreement**” has the meaning ascribed thereto in Part IV – *Information Concerning the Resulting Issuer – Escrowed Securities of the Resulting Issuer*.

“**VDD**” means Veterinary Drugs Directorate.

“**VHP**” means Veterinary Health Product.

“**VHS**” means Veterinary Healthcare Solutions Inc.

“**Voting Share**” means a security of an issuer that;

- (a) is not a debt security; and
- (b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

#### **DATE OF INFORMATION**

Except as otherwise indicated in this Filing Statement, all information disclosed in this Filing Statement is as of October 30, 2022.

#### **CURRENCY PRESENTATION**

All currency amounts in this Filing Statement are expressed in Canadian dollars unless otherwise indicated.

#### **NOTE TO UNITED STATES SHAREHOLDERS**

The transactions contemplated herein are being undertaken by Canadian issuers in accordance with Canadian corporate and securities laws. Shareholders should be aware that disclosure requirements under such Canadian laws are different from requirements under United States corporate and securities laws relating to issuers organized under United States laws, and this Filing Statement has not been filed with or approved by the United States Securities and Exchange Commission or the securities regulatory authority of any state within the United States. Likewise, information concerning the operations of each of Grey Wolf and Magen has been prepared in accordance with Canadian standards, and may not be comparable to similar information for issuers organized in the United States.

The annual financial statements of Grey Wolf and the financial statements of Magen included in this Filing Statement have been prepared in accordance with IFRS, and thus may not be comparable to financial statements prepared in accordance with accounting principles generally accepted in the United States.

Completion of the transactions described herein may have tax consequences under the laws of both the United States and Canada, and neither Grey Wolf nor Magen undertakes to describe any such tax consequences under the laws of the United States in this Filing Statement. United States shareholders of Grey Wolf or Magen are advised to consult their tax advisors to determine any particular tax consequences to them of the transactions to be effected in connection with the Proposed Qualifying Transaction.

THE RESULTING ISSUER SHARES TO BE ISSUED PURSUANT TO THE AMALGAMATION HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND SUCH SECURITIES ARE BEING ISSUED IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION UNDER APPLICABLE UNITED STATES FEDERAL AND STATE SECURITIES LAWS. AS A RESULT, RESULTING ISSUER SHARES ISSUED TO UNITED STATES SHAREHOLDERS MAY BE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER UNDER APPLICABLE UNITED STATES FEDERAL AND STATE SECURITIES LAWS.

UNITED STATES HOLDERS OF GREY WOLF OR MAGEN SECURITIES SHOULD CONSULT THEIR OWN TAX, LEGAL AND FINANCIAL ADVISORS REGARDING THE PARTICULAR CONSEQUENCES TO THEM OF THE AMALGAMATION.

All capitalized terms used and not otherwise defined above shall have the meanings ascribed thereto in the Glossary of Defined Terms in this Filing Statement.

#### **NOTICE CONCERNING FORWARD-LOOKING STATEMENTS**

This Filing Statement contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Grey Wolf, Magen and/or the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include: (A) the intention to complete the Proposed Qualifying Transaction and all of its components; (B) the description of the Resulting Issuer upon completion of the Proposed Qualifying Transaction; (C) the intention to grow the Business and the proposed operations of the Resulting Issuer; (D) the level of working capital and cash-flow at closing and in the future, including whether cash-flow is positive or negative; and (E) proposals regarding the governance, operations and compensation matters for the Resulting Issuer. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Filing Statement. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to the efficiency and results of operations of Grey Wolf and/or the Resulting Issuer, the economy generally, market participants' interest in the Resulting Issuer's services and products, market and competitive conditions, current and future stock prices, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, fluctuations in foreign currency exchange rates, business prospects and opportunities, as well as to the ability of Grey Wolf, Magen and/or the Resulting Issuer to: (a) satisfy the conditions under the Definitive Agreement for the completion of the Proposed Qualifying Transaction; (b) satisfy the requirements of the Exchange with respect to the Proposed Qualifying Transaction such that the Exchange will issue the Final QT Exchange Bulletin; (c) obtain necessary financing as and when additional financing is required; and (d) successfully integrate Grey Wolf and Magen and manage risks. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this Filing Statement.

While each of Magen and Grey Wolf anticipates that subsequent events and developments may cause its views to change, each of Grey Wolf, Magen and the Resulting Issuer specifically disclaims any obligation

to update these forward-looking statements other than as required by applicable law. These forward-looking statements should not be relied upon as representing the views of any of Grey Wolf, Magen and the Resulting Issuer as of any date subsequent to the date of this Filing Statement. Although Magen and Grey Wolf have each attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The factors identified above are not intended to represent a complete list of the factors that could affect Grey Wolf, Magen and/or the Resulting Issuer. Additional factors are noted under "*Risk Factors*" in this Filing Statement. The forward-looking statements contained in this Filing Statement are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Filing Statement are made as of the date of this Filing Statement and none of Grey Wolf, Magen or the Resulting Issuer undertakes an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities legislation.

#### **CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES**

This Filing Statement 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 Grey Wolf'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 Grey Wolf's financial information reported under IFRS.

#### **MARKET AND INDUSTRY DATA**

The market and industry data contained in this Filing Statement relating to Grey Wolf and its Business is based upon information from independent industry and other publications and Grey Wolf's management's knowledge of, and experience in, the industry in which Grey Wolf operates. None of the sources of market and industry data have provided any form of consultation, advice or counsel regarding any aspect of, or is in any way whatsoever associated with, the Proposed Qualifying Transaction. Market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data at any particular point in time, the voluntary nature of the data gathering process or other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this data are not guaranteed. Neither Magen nor Grey Wolf has independently verified any of the data from third party sources referred to in this Filing Statement or ascertained the underlying assumptions relied upon by such sources.

#### **INFORMATION CONCERNING GREY WOLF**

The information contained or referred to in this Filing Statement relating to Grey Wolf has been furnished by Grey Wolf. In preparing this Filing Statement, Magen relied upon Grey Wolf to ensure that the Filing Statement contains full, true and plain disclosure of all material facts relating to Grey Wolf. Although Magen has no knowledge that would indicate that any statements contained herein concerning Grey Wolf are untrue or incomplete, neither Magen nor any of its respective directors or officers assume any responsibility for the accuracy or completeness of such information or for any failure by Grey Wolf to ensure disclosure of events or facts that may have occurred which may affect the significance or accuracy of any such information.

### **INFORMATION CONCERNING MAGEN**

The information contained or referred to in this Filing Statement relating to Magen has been furnished by Magen. In preparing this Filing Statement, Grey Wolf relied upon Magen to ensure that the Filing Statement contains full, true and plain disclosure of all material facts relating to Magen. Although Grey Wolf has no knowledge that would indicate that any statements contained herein concerning Magen are untrue or incomplete, neither Grey Wolf nor any of its respective directors or officers assume any responsibility for the accuracy or completeness of such information or for any failure by Magen to ensure disclosure of events or facts that may have occurred which may affect the significance or accuracy of any such information.

All information related to “post-Consolidation” securities of Magen assume a Consolidation Ratio of 16.6667 to 1.

## SUMMARY OF FILING STATEMENT

***The following is a summary of information relating to Magen, Grey Wolf and Resulting Issuer, assuming completion of the Proposed Qualifying Transaction and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement.*** Capitalized terms used in this summary, and not defined in this summary, will have the meaning provided in the Glossary or elsewhere in this Filing Statement. No person is authorized to give any information or to make any representation not contained in this Filing Statement and, if given or made, such information or representation should not be relied upon as having been authorized. This Filing Statement does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation. **Neither delivery of this Filing Statement nor any distribution of the securities referred to in this Filing Statement shall, under any circumstances, create an implication that there has been no change in the information set forth herein since the date of this Filing Statement.**

Any material change reports (excluding confidential reports), comparative interim financial statements, comparative annual financial statements and the auditors' reports thereon, information circulars, annual information forms and business acquisition reports filed by the Issuer with the securities commissions or similar authorities in the province of Ontario subsequent to the date of this Filing Statement and prior to the closing of the Proposed Qualifying Transaction, shall be deemed to be incorporated by reference in this Filing Statement.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Filing Statement to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Filing Statement.

### **Magen Ventures I Inc.**

Magen was incorporated under the OBCA on February 9, 2021 and is classified as a CPC in accordance with the CPC Policy. Since its incorporation Magen has not carried on any business or operations other than identifying and evaluating business opportunities for the purposes of completing a Qualifying Transaction.

Magen completed its initial public offering of 40,000,000 Magen Shares at a price of \$0.10 per Magen Share for gross proceeds of \$4,000,000 on June 17, 2021. The Magen Shares trade on the Exchange under the symbol "MAGNP", but have been halted since January 26, 2022 and are intended to remain halted until the Completion of the Qualifying Transaction.

Magen is authorized to issue an unlimited number of common shares without nominal or par value, of which 60,000,000 are issued and outstanding as at the date hereof.

The registered and head office of Magen is located at 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1.

See also "*Part II – Information Concerning the Issuer – General Description of the Business*".

### **Grey Wolf Animal Health Inc.**

Grey Wolf is a privately owned company and was incorporated under the *Business Corporations Act* (Ontario) on March 24, 2015. On December 31, 2020, Grey Wolf amalgamated with VHS under the *Business Corporations Act* (Ontario).

Grey Wolf was founded by a veterinarian to bring to market a broad portfolio of products that meets the unmet needs of veterinarians, clinics and pets. Grey Wolf in-licenses and acquires innovative pharmaceutical, nutraceutical and consumable products for commercialization in the vet channel. Grey Wolf, through its subsidiary, Trutina, is involved in compounding pharmaceuticals for the animal health and bioidentical hormone replacement therapy market.

See also "*Part III – Information Concerning the Target Company – General Description of the Business*".

### **Summary of the Proposed Qualifying Transaction**

On the terms and subject to the conditions set forth in the Definitive Agreement, Magen and Grey Wolf propose to effect a business combination transaction pursuant to which: (i) Grey Wolf and Subco will amalgamate and continue as Amalco; (ii) the combined business and assets of Grey Wolf will become the business and assets of Amalco; (iii) Amalco will continue as a wholly-owned subsidiary of Magen; and (iv) the Grey Wolf Shareholders will become shareholders of Magen.

Assuming completion of the Proposed Qualifying Transaction on September 30, 2022, pursuant to the Amalgamation, among other things: (i) each Grey Wolf Common Share outstanding immediately prior to the Amalgamation will be exchanged for one (1) Resulting Issuer Share at a deemed price of \$2.00 per share resulting in the issuance of 27,346,783 Resulting Issuer Shares; and (ii) each outstanding Subco Share will be exchanged for one (1) fully paid Amalco Share.

In addition to the Amalgamation, there are several transactions that are expected to occur concurrently or proximate to the Amalgamation, including the Consolidation, Name Change, Magen Director Appointments and Change of Auditor.

Prior to the Amalgamation, Magen will complete the Consolidation of the Magen Shares pursuant to the Consolidation Ratio (assuming a 16.6667 to 1 ratio), so that after giving effect to the Consolidation, there will be approximately 3,599,993 Magen Shares issued and outstanding, as well as Magen Options and Magen Broker Warrants exercisable to acquire approximately 551,999 Magen Shares.

Immediately prior to the Amalgamation, the Grey Wolf Convertible Debentures and Grey Wolf Preferred Shares will convert into Grey Wolf Common Shares in accordance with the terms of the Grey Wolf Convertible Debentures and Grey Wolf Preferred Shares, as applicable.

Prior to the Amalgamation, Magen is expected to change its name to "Grey Wolf Animal Health Corp." or such other similar name as determined by the Magen Board as directed by Grey Wolf in compliance with applicable laws and as may be acceptable to the TSXV. Magen is also expected to change its stock symbol to "WOLF".

In addition, each post-Consolidation Magen Option and Grey Wolf Option will be exchanged for one Resulting Issuer Option, resulting in the issuance of 2,193,499 Resulting Issuer Options, each post-Consolidation Magen Broker Warrant and each Grey Wolf Broker Warrant will be exchanged for one Resulting Issuer Broker Warrant, resulting in the issuance of 912,000 Resulting Issuer Broker Warrants and each Grey Wolf Warrant will be exchanged for one Resulting Issuer Warrant, resulting in the issuance of 2,192,800 Resulting Issuer Warrants.

## The Resulting Issuer

Assuming completion of the Proposed Qualifying Transaction on September 30, 2022, it is anticipated that immediately following the Completion of the Qualifying Transaction, an aggregate of 30,946,776 Resulting Issuer Shares will be issued and outstanding, as well as 2,193,499 Resulting Issuer Options, 912,000 Resulting Issuer Broker Warrants and 2,192,800 Resulting Issuer Warrants.

Following the completion of the Proposed Qualifying Transaction, the Resulting Issuer will carry on the business of Grey Wolf. See "*Information Concerning the Resulting Issuer – Corporate Structure*".

## Reason for the Proposed Qualifying Transaction

Magen is a corporation incorporated under the OBCA with its common shares listed for trading on the Exchange under the trading symbol of "MAGNP". Magen was initially listed as a CPC on June 17, 2021 and has not carried on any business or operations other than identifying and evaluating business opportunities for the purposes of completing a Qualifying Transaction. CPC listing requirements mandate that Magen acquires a suitable active business or asset as its Qualifying Transaction in order to maintain its listing on the Exchange. Since June 17, 2021, Magen has examined a number of suitable businesses and assets with a view to satisfying both the policies of the Exchange and increasing shareholder value. Magen is of the view that the Proposed Qualifying Transaction and the underlying business and assets of Grey Wolf constitute a suitable transaction for these purposes. The Proposed Qualifying Transaction will enable the Resulting Issuer to drive continued organic growth and support strategic acquisitions that complement its existing business.

## Directors and Management

The proposed directors and officers of the Resulting Issuer immediately following the completion of the Proposed Qualifying Transaction are as follows:

<b>Name and Municipality of Residence</b>	<b>Proposed Position With Resulting Issuer</b>
Shawn Aspden <i>Toronto, Ontario</i>	Director
Dr. Ian Sandler <i>Toronto, Ontario</i>	Director
Robert Harris <i>Milton, Ontario</i>	Director
Jill Angevine <i>Calgary, Alberta</i>	Director
Diane Bourassa <i>L'Assomption, Quebec</i>	Director
Angela Cechetto <i>Toronto, Ontario</i>	Chief Executive Officer and Secretary
Kevin Palmer <i>Oakville, Ontario</i>	Chief Financial Officer

## Interests of Insiders, Promoters and Control Persons

The following is a summary of the interests of any Insider, promoter or Control Person of Magen, Grey Wolf and the Resulting Issuer and their respective Associates and Affiliates, before and after giving effect to the Proposed Qualifying Transaction, including any consideration that such individual may receive of the Proposed Qualifying Transaction proceeds.

Insiders, Promoter, Control Person	Position	Number of Magen Shares and/or Grey Wolf Shares as at the Date of the Filing Statement <sup>(1)</sup>	Resulting Issuer Shares upon Completion of the Proposed Qualifying Transaction <sup>(1)(2)</sup>
Jesse Kaplan	CEO, CFO, Corporate Secretary and Director of Magen	1,500,000 Magen Shares	90,000
Aaron Unger	Director of Magen	1,500,000 Magen Shares	90,000
Alan Friedman	Director of Magen	1,500,000 Magen Shares	90,000
Yisroel Weinreb	Director of Magen	1,500,000 Magen Shares	90,000
Robert Harris	Director of Grey Wolf, Proposed Director of Resulting Issuer	232,162 Grey Wolf Shares	232,162
Shawn Aspden	Director of Grey Wolf, Proposed Director of Resulting Issuer	442,634 Grey Wolf Shares	873,022
Dr. Ian Sandler	Director of Grey Wolf, Chief Veterinary Medical Officer, Founder, Proposed Director of Resulting Issuer	3,063,423 Grey Wolf Shares <sup>(3)</sup>	3,112,797 <sup>(4)</sup>
Angela Cechetto	Chief Executive Officer, Secretary	38,461 Grey Wolf Shares	74,500
Kevin Palmer	Chief Financial Officer	Nil	Nil
Nicola Luciani	Director of Trutina	1,091,500 Grey Wolf Shares	1,091,500
Jill Angevine	Proposed Director of Resulting Issuer	Nil	Nil
Diane Bourassa	Proposed Director of Resulting Issuer	Nil	Nil
Bloom Burton & Co. Inc. (BBCI) <sup>(5)</sup>	Promoter	2,889,152 Grey Wolf Shares	3,604,497

**Notes:**

- (1) After giving effect to the Consolidation (assuming the maximum Consolidation Ratio of 16.6667 to 1).
- (2) After giving effect to the conversion of all Grey Wolf Preferred Shares and Grey Wolf Convertible Debentures, assuming completion of the Proposed Qualifying Transaction on September 30, 2022.
- (3) 2,760,000 Grey Wolf Shares are held by Sandglow Holdings Inc. ("**Sandglow**"), 303,423 Grey Wolf Shares are held by The Sandler 2015 Family Trust ("**Sandler Trust**"). Dr. Ian Sandler exercises direction and control over Sandglow. and the Sandler Trust.
- (4) 2,760,000 Resulting Issuer Shares will be held by Sandglow, 303,423 Resulting Issuer Shares will be held by the Sandler Trust and 49,374 Resulting Issuer Shares will be held by Dr. Ian Sandler personally. Dr. Ian Sandler exercises direction and control over Sandglow and the Sandler Trust.
- (5) Bloom Burton & Co. Inc. (BBCI) ("**Bloom Burton**") owns Grey Wolf Shares and Grey Wolf Convertible Securities directly and indirectly through its wholly-owned subsidiaries, Bloom Burton Development Corp. ("**BBDC**") and Bloom Burton Securities Inc. ("**BBSI**"). Bloom Burton holds \$500,000 principal amount of 2020 Debentures. BBDC owns 2,889,152 Grey Wolf Shares, \$530,000 principal amount of 2021 Debentures and 80,000 Grey Wolf Options. BBSI also owns 161,000 2021 Debt Placement Broker Warrants and 154,134 2021 Broker Warrants. Jolyon Burton, a director of Grey Wolf, and Brian Bloom jointly exercise direction and control over Bloom Burton.

**Arm's Length Qualifying Transaction**

The Proposed Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction for Magen within the meaning of the CPC Policy.

### Available Funds and Principal Purposes

The following table sets out the estimated funds available to the Resulting Issuer after giving effect to the Proposed Qualifying Transaction as at the dates indicated. The amounts shown in the table are based upon the information available to the Parties as of the date hereof:

Sources	Amount (\$)
Estimated Grey Wolf working capital as at September 30, 2022	4,385,994
Estimated Magen working capital as at September 30, 2022	4,261,471
Estimated costs of the Proposed Qualifying Transaction (e.g. professional fees and Exchange fees)	423,000
<b>Total estimated funds available to the Resulting Issuer upon Completion of the Proposed Qualifying Transaction</b>	<b>8,224,465</b>

The table below sets forth the principal purposes for which the estimated funds available to the Resulting Issuer upon completion of the Proposed Qualifying Transaction will be used for the next 18 months. While management of Grey Wolf currently intends to use the available funds as set forth in this Filing Statement, the Resulting Issuer may reallocate available funds for sound business reasons from time to time.

Source of Funds	Amount (\$)
Total estimated funds available to the Resulting Issuer upon Completion of the Proposed Qualifying Transaction	8,224,465
Cash inflows from ongoing operations	20,785,680
<b>Total estimated source of funds by the Resulting Issuer</b>	<b>29,010,145</b>
<b>Use of Funds</b>	
Principal and interest payments of CWB Loan	2,173,364
Sales and marketing expenses	6,780,308
General and administrative expenses	5,202,053
Other expenses	2,550,602
Increased working capital requirements	1,100,000
Planned capital expenditures	100,000
Income tax payments	821,111
<b>Total estimated use of funds by the Resulting Issuer</b>	<b>18,727,438</b>
<b>Unallocated working capital</b>	<b>10,282,707</b>

See "Information Concerning the Resulting Issuer – Available Funds and Principal Purposes".

### Selected Financial Information

Grey Wolf

The table below sets out certain financial data for Grey Wolf in respect of the periods for which financial information is included elsewhere in this Filing Statement.

	Six Months Ended June 30, 2022 (\$) (Unaudited)	Year Ended December 31, 2021 (\$) (Audited)	Year Ended December 31, 2020 (\$) (Audited)
<b>Total Revenues</b>	11,298,053	13,095,439	7,681,985
<b>Net Loss and Comprehensive Loss</b>	(2,109,574)	(968,939)	(896,439)
<b>Total Liabilities</b>	33,493,867	32,157,341	4,357,304

<b>Total Assets</b>	35,555,961	36,233,587	7,179,496
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*The Resulting Issuer*

The following table summarizes certain pro forma financial information for the Resulting Issuer after giving effect to the Proposed Qualifying Transaction and should be read in conjunction with the pro forma financial statement for the Resulting Issuer attached as Schedule "B" to this Filing Statement.

	<b>Magen as at June 30, 2022 (\$)</b>	<b>Grey Wolf as at June 30, 2022 (\$)</b>	<b>Pro Forma Adjustments (\$)</b>	<b>Resulting Issuer Pro Forma as at Completion of the Proposed Qualifying Transaction (\$)</b>
Current Assets	4,413,443	8,590,005	(564,757)	12,438,691
Total Assets	4,413,443	35,555,961	(564,757)	39,404,647
Current Liabilities	134,967	21,740,284	(17,858,827)	4,016,424
Long Term Liabilities	-	11,753,583	-	11,753,583
Shareholders' Equity	4,278,476	2,062,094	17,294,070	23,634,640

**Market Price of Magen Shares and Grey Wolf Shares**

The Magen Shares are listed on the Exchange under the symbol "MAGNP". The closing market price of the Magen Shares on January 26, 2022, the day the Proposed Qualifying Transaction was announced, was \$0.095. See "*Information Concerning the Issuer – Market Price and Trading Volume Data*" for information relating to the trading price of the Magen Shares for the last 12 months.

There is no public market for the Grey Wolf Shares.

**Sponsorship**

Sponsorship for the Proposed Qualifying Transaction is required by the CPC Policy unless an exemption from the sponsorship requirement is granted to Magen by the Exchange. Magen and Grey Wolf have obtained a waiver of the sponsorship requirement in connection with the Qualifying Transaction from the TSXV.

**Conflicts of Interest**

Certain officers and directors of the Issuer may also periodically serve as officers and/or directors of other companies. As a result, situations may arise where the interest of such directors and officers conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of the Issuer. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in the OBCA. The OBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his or her interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the OBCA.

**Shareholder Approvals**

Magen Shareholder approval is not required for the Proposed Qualifying Transaction under the policies of the TSXV as the Proposed Qualifying Transaction is not a Non-Arm's Length Qualifying Transaction.

On May 25, 2022, Magen held its annual general and special meeting of Magen Shareholders. At such meeting, the Magen Shareholders approved, among other matters, the Consolidation, Change of Auditor, Name Change and the Magen Director Appointments.

The meeting of the Grey Wolf Shareholders will be held on November 9, 2022 to approve the Amalgamation.

### **Interest of Experts**

To the knowledge of Magen, no person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Filing Statement or prepared or certified a report or valuation described or included in this Filing Statement has, or will have immediately following completion of the Proposed Qualifying Transaction, any direct or indirect interest in Grey Wolf, Magen or the Resulting Issuer or in an Associate or Affiliate of Grey Wolf, Magen or the Resulting Issuer. See "*Interests of Experts*".

### **Conditional Listing Approval**

The Proposed Qualifying Transaction is subject to the acceptance of the Exchange and Magen and Grey Wolf fulfilling all of the requirements of the Exchange. The Exchange has conditionally accepted the Proposed Qualifying Transaction, subject to Magen and Grey Wolf fulfilling all of the requirements of the Exchange on or before January 20, 2023.

### **Risk Factors**

There are inherent risks in the business of Magen and Grey Wolf. The Proposed Qualifying Transaction must be considered speculative due to the nature of the business of Magen and Grey Wolf, and each company's relative stage of development. Magen Shareholders must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of Magen and the Resulting Issuer. The business of the Resulting Issuer will be subject to risks and hazards related to Magen and Grey Wolf, some of which are beyond its control.

The Proposed Qualifying Transaction is subject to a number of risk factors inherent to similar transactions of this nature. Additional risks and uncertainties may also adversely affect the Resulting Issuer Shares and/or the business of the Resulting Issuer following completion of the Proposed Qualifying Transaction.

These risks include, but are not limited to: the parties' ability to complete the Proposed Qualifying Transaction; possible termination of the Definitive Agreement; the diversion of management attention; restriction from certain activity under the Definitive Agreement; limited operating history; risks associated with formulation and marketing capabilities; leases; raw materials and product supply; distribution and supply chain interruptions; reliance on third parties for manufacture and supply; compliance with applicable laws, changes in laws, regulations and guidelines; ability to obtain and retain necessary licences and permits; business concentration by region; the requirements of being a reporting issuer; competition; changes in technology; reliance on strategic partnerships; dependence on key management personnel; conflicts of interest; risks associated with pandemics; fraudulent or illegal activity; internal controls; general economic risks; liquidity and additional financing; implementation of growth strategy; management of growth; failure to maintain, promote and enhance brand; anti-money laundering laws and regulation risks; unknown defects and impairments; challenging global economic financial conditions; litigation; cybersecurity risks; risks associated with privacy and security of sensitive and important information; confidentiality of personal and health information; operating risks and insurance coverage; customer acquisitions; product recalls; product liability; intellectual property risks; lack of liquidity or active trading market for Resulting Issuer Shares; increased price volatility of the Resulting Issuer Shares following the completion of the Proposed Qualifying Transaction; the issuance of additional Resulting Issuer Shares in the future; and credit and liquidity risk.

For a further description of material risk factors affecting the Resulting Issuer, see "*Risk Factors*".

## PART I - THE PROPOSED QUALIFYING TRANSACTION

### DETAILS OF THE PROPOSED QUALIFYING TRANSACTION

Magen and Grey Wolf entered into a binding agreement on March 16, 2022, as amended July 28, 2022, (the “**Definitive Agreement**”) to conduct the Proposed Qualifying Transaction, pursuant to which Magen will acquire all of the issued and outstanding Grey Wolf Shares in exchange for the issuance of Resulting Issuer Shares. The Proposed Qualifying Transaction will be structured as a three-cornered amalgamation.

Grey Wolf is a privately owned company and was incorporated under the *Business Corporations Act* (Ontario) on March 24, 2015. On December 31, 2020, Grey Wolf amalgamated with VHS under the *Business Corporations Act* (Ontario).

Magen, a CPC, intends for the Proposed Qualifying Transaction to constitute its Qualifying Transaction. The Proposed Qualifying Transaction is not a Non-Arm’s Length Qualifying Transaction. As such, Magen does not require the approval of Magen Shareholders in order to complete the Proposed Qualifying Transaction. However, certain ancillary and post-closing matters related to the Proposed Qualifying Transaction were put to Magen Shareholders for approval in anticipation of, and shall be subject to, the completion of the Proposed Qualifying Transaction. All such matters were approved at the annual general and special meeting of Magen Shareholders held on May 25, 2022 (for further details on these matters and the meeting, please see Magen’s management information circular dated April 26, 2022, which is accessible on Magen’s SEDAR profile at [www.sedar.com](http://www.sedar.com)).

#### The Amalgamation

Magen has entered into the Definitive Agreement with Grey Wolf pursuant to which Magen will acquire all of the issued and outstanding Grey Wolf Shares by way of a three-cornered amalgamation. Pursuant to the Definitive Agreement the Parties intend the effect the following steps on or about the Closing Date:

- (a) following receipt of shareholder approval, Magen shall file articles of amendment to effect the Consolidation and Name Change;
- (b) immediately prior to the Amalgamation, the Grey Wolf Convertible Debentures and Grey Wolf Preferred Shares will convert into approximately 12,683,794 Grey Wolf Common Shares in accordance with the terms of the Grey Wolf Convertible Debentures and Grey Wolf Preferred Shares, as applicable, assuming completion of the Proposed Qualifying Transaction on September 30, 2022;
- (c) Grey Wolf and Subco shall amalgamate by way of statutory amalgamation under Section 174 of the OBCA on the terms and subject to the conditions contained in the Amalgamation Agreement;
- (d) the Parties shall cause articles of amalgamation to be filed to effect the Amalgamation, pursuant to which:
  - (i) Grey Wolf and Subco will amalgamate under the provisions of the OBCA and continue as one amalgamated corporation, being Amalco;
  - (ii) holders of outstanding Grey Wolf Common Shares (including the Grey Wolf Common Shares to be issued on conversion of the Grey Wolf Convertible Debentures and Grey Wolf Preferred Shares, but excluding any Grey Wolf Shareholder that validly exercised his, her or its dissent rights) shall receive one (1) post-Consolidation Magen Share for each Grey Wolf Common Share held at a deemed price of \$2.00 per share resulting in the issuance of 27,346,783 Resulting Issuer Shares, assuming completion of the Proposed Qualifying Transaction on September 30, 2022;

- (iii) each outstanding Subco Share will be exchanged for one (1) fully paid Amalco Share;
  - (iv) as consideration for the issuance of the post-Consolidation Magen Shares to effect the Amalgamation, Amalco will issue to Magen one (1) fully paid Amalco Share for each post-Consolidation Magen Share so issued;
  - (v) all of the property and assets of each of Grey Wolf and Subco will be the property and assets of Amalco and Amalco will be liable for all of the liabilities and obligations of each of Grey Wolf and Subco; and
  - (vi) Amalco will be a wholly-owned Subsidiary of Magen;
- (e) concurrently with the Amalgamation, Magen shall issue Resulting Issuer Options, Resulting Issuer Broker Warrants and Resulting Issuer Warrants to the holders of Grey Wolf Options, Grey Wolf Broker Warrants and Grey Wolf Warrants, respectively, in exchange and replacement for such Grey Wolf Convertible Securities (on substantially the same economic terms and conditions), which shall thereby be cancelled; and
- (f) immediately following the filing of the articles of amalgamation to effect the Amalgamation, Magen will (i) reconstitute the Magen Board to give effect to the Magen Director Appointments, and (ii) give effect to the Change of Auditor.

In addition, each post-Consolidation Magen Option and Grey Wolf Option will be exchanged for one Resulting Issuer Option, resulting in the issuance of 2,193,499 Resulting Issuer Options, each post-Consolidation Magen Broker Warrant and each Grey Wolf Broker Warrant will be exchanged for one Resulting Issuer Broker Warrant, resulting in the issuance of 912,000 Resulting Issuer Broker Warrants and each Grey Wolf Warrant will be exchanged for one Resulting Issuer Warrant, resulting in the issuance of 2,192,800 Resulting Issuer Warrants.

Upon completion of the Proposed Qualifying Transaction, the current Business of Grey Wolf will be the Business of the Resulting Issuer. See "*Part III – Information Concerning the Target Company – Narrative Description of the Business*".

Assuming completion of the Proposed Qualifying Transaction on September 30, 2022, the former Grey Wolf Shareholders will hold approximately 88.4% of the Resulting Issuer Shares and the Magen Shareholders will hold approximately 11.6% of the Resulting Issuer Shares. Accordingly, the Proposed Qualifying Transaction will constitute a "reverse take-over" for accounting purposes.

The completion of the Proposed Qualifying Transaction contemplated by the Definitive Agreement is subject to certain conditions, including but not limited to: (a) obtaining all necessary regulatory approvals, including Exchange approval of the Proposed Qualifying Transaction and other transactions comprising part of the Proposed Qualifying Transaction; (b) the approval by the Grey Wolf Shareholders of the Amalgamation; and (c) other customary conditions. See "*Part I – The Proposed Qualifying Transaction – Definitive Agreement*".

## **DEFINITIVE AGREEMENT**

The following is a summary of the material provisions of the Definitive Agreement. This description is not a complete description of the provisions of the Definitive Agreement and is qualified in its entirety by the Definitive Agreement, which is available for review under the Issuer's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **General**

The Definitive Agreement was entered into effective as of March 16, 2022, as amended July 28, 2022, and contains certain customary representations and warranties of each of Magen and Grey Wolf.

## Conditions to the Proposed Qualifying Transaction

The Definitive Agreement contains a number of conditions precedent to the obligations of Magen and Grey Wolf thereunder. Unless all such conditions are satisfied or waived by the party or parties for whose benefit such conditions exist, to the extent they may be capable of waiver, the Proposed Qualifying Transaction will not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all. The conditions to the Proposed Qualifying Transaction becoming effective are set out in the Definitive Agreement and are summarized below.

### *Mutual Conditions*

The respective obligations of Magen and Grey Wolf to complete the Proposed Qualifying Transaction are subject to the fulfillment of the following conditions at or prior to the Closing Date, each of which may be waived only by the mutual consent of the parties:

- (a) the Resulting Issuer, upon closing of the Proposed Qualifying Transaction, shall meet the minimum original listing requirements of the TSXV and the Proposed Qualifying Transaction, including the issuance of the post-Consolidation Magen Shares pursuant thereto, shall have been approved and accepted as Magen's Qualifying Transaction in accordance with the requirements of the TSXV;
- (b) there shall not be in force any order or decree restraining or enjoining the consummation of the Proposed Qualifying Transaction;
- (c) the requisite approval of the Magen Shareholders of the Consolidation, the Name Change, the Change of Auditor and the Magen Director Appointments shall have been obtained in accordance with applicable laws;
- (d) the Definitive Agreement shall not have been terminated;
- (e) all regulatory approvals and corporate approvals shall have been obtained;
- (f) each Party shall not have entered into any transaction or contract which would have a material effect on the financial and operational condition, or the assets of each Party, excluding those transactions or contracts undertaken in the ordinary course of business, without first discussing and obtaining the written approval of the other Party;
- (g) no act, action, suit, proceeding or injunction shall have been threatened or taken before or by any government authority by any elected or appointed public official or private Person in Canada or elsewhere, and no law, regulation or policy shall have been proposed, enacted, promulgated or applied, the effect of which is to cease trade, enjoin, prohibit or impose material limitations or conditions on either of the Parties or which, if the Proposed Qualifying Transaction were completed, would result in a material adverse change to the Resulting Issuer and its subsidiaries, on a consolidated basis;
- (h) all applicable holders of Resulting Issuer Shares shall have entered into the requisite QT Escrow Agreement required by the TSXV as a condition of the final TSXV approval of the Proposed Qualifying Transaction; and
- (i) there being no prohibition at law against completion of the Amalgamation.

### *Conditions to Obligations of Magen*

The obligations of Magen to complete the Proposed Qualifying Transaction are subject to the fulfillment of the following conditions at or prior to the Closing Date:

- (a) no material adverse change with respect to Grey Wolf shall have occurred between the date of the Definitive Agreement and the Amalgamation;
- (b) Grey Wolf shall not have breached, or failed to comply with, in any material respect, any of its covenants or other obligations under the Definitive Agreement, and all representations and warranties of Grey Wolf contained in the Definitive Agreement shall have been true and correct in all material respects as of the date of the Definitive Agreement and shall not have ceased to be true and correct in any material respect on the date of the Amalgamation (except to the extent that such representations and warranties speak as of an earlier date) (provided, however, that if the breaching Party has been given written notice by the other Party specifying in reasonable detail any such misrepresentation, breach or non-performance, the breaching Party shall have had five business days to cure such misrepresentation, breach or non-performance), and the Chief Executive Officer of Grey Wolf or another officer satisfactory to Magen shall so certify immediately prior to the Amalgamation;
- (c) the Grey Wolf Board and the Grey Wolf Shareholders shall have adopted all necessary resolutions and all other necessary corporate actions shall have been taken by Grey Wolf to permit the consummation of the Proposed Qualifying Transaction and the transactions contemplated therewith;
- (d) the number of Grey Wolf Shares in respect of which Grey Wolf Shareholders have dissented in connection with the resolutions authorizing the Amalgamation shall not exceed 5% of the number of issued and outstanding Grey Wolf Shares;
- (e) Magen shall have received certified copies of resolutions passed by: (i) the Grey Wolf Board approving the entering into of the Definitive Agreement and the transactions contemplated therein; and (ii) the Grey Wolf Shareholders approving the Amalgamation;
- (f) Magen shall have received certified copies of the governing documents of Grey Wolf; and
- (g) Magen shall have received a certificate of status (or the equivalent thereof) of Grey Wolf and each of the Grey Wolf Subsidiaries.

*Conditions to Obligations of Grey Wolf*

The obligations of Grey Wolf to complete the Proposed Qualifying Transaction are subject to the fulfillment of the following conditions at or prior to the Closing Date:

- (a) on or prior to the Amalgamation, and effective upon completion of the Amalgamation, each of the directors and officers of Magen shall have tendered their resignations and provided mutual releases in a form acceptable to Grey Wolf, acting reasonably, and the Magen Board, subject to the approval of the TSXV, shall have been reconstituted to consist of the nominees of Grey Wolf;
- (b) no material adverse change with respect to Magen shall have occurred between the date of the Definitive Agreement and the Amalgamation;
- (c) conditional approval of the TSXV of the Proposed Qualifying Transaction shall have been obtained;
- (d) Magen shall not have breached, or failed to comply with, in any material respect, any of its covenants or other obligations under the Definitive Agreement, and all representations and warranties of Magen contained in the Definitive Agreement shall have been true and correct in all material respects as of the date of the Definitive Agreement and shall not have

ceased to be true and correct in any material respect on the date of the Amalgamation (except to the extent that such representations and warranties speak as of an earlier date) (provided, however, that if the breaching Party has been given written notice by the other Party specifying in reasonable detail any such misrepresentation, breach or non-performance, the breaching Party shall have had five business days to cure such misrepresentation, breach or non-performance), and the Chief Executive Officer of Magen or another officer satisfactory to Grey Wolf shall so certify immediately prior to the Amalgamation;

- (e) Grey Wolf shall have received certified copies of resolutions passed by: (i) the Magen Board approving the entering into of the Definitive Agreement and the transactions contemplated therein; and (ii) the Magen Shareholders approving the Consolidation, Name Change, Change of Auditor and Magen Director Appointments;
- (f) Grey Wolf shall have received certified copies of resolutions passed by the Subco board of directors approving the Amalgamation and the transactions contemplated therewith;
- (g) Grey Wolf shall have received certified copies of the governing documents of each of Magen and Subco;
- (h) Grey Wolf shall have received evidence that Magen is a reporting issuer in the jurisdictions in which it is a reporting issuer in Canada and is not in default of any of the provisions therein; and
- (i) Grey Wolf shall have received a certificate of status of each of Magen and Subco.

#### **Termination of Agreement**

The Definitive Agreement may be terminated at any time prior to the Closing Date by either Party:

- (a) by mutual agreement in writing by the Parties;
- (b) if the Amalgamation has not occurred by November 30, 2022 (or such later date as may be mutually agreed between the Parties in writing);
- (c) in accordance with the terms of the conditions precedent set forth in the Definitive Agreement; or
- (d) in accordance with the non-solicitation covenant set forth in the Definitive Agreement.

#### **PROCEDURE FOR THE PROPOSED QUALIFYING TRANSACTION TO BECOME EFFECTIVE**

##### **Magen Shareholder Approval**

The Proposed Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction since: (a) the Proposed Qualifying Transaction was negotiated by the parties dealing at arm's length with each other, and (b) no party (together with its respective Associates or Affiliates) (i) holds more than 20% of the outstanding voting securities of Magen and Grey Wolf, or (ii) holds a sufficient number of securities of both Magen and Grey Wolf so as to affect materially the control of both Magen and Grey Wolf. As a result, approval of the Proposed Qualifying Transaction by the Magen Shareholders is not required under the Exchange policies as a condition to its completion. However, certain ancillary and post-closing matters related to the Proposed Qualifying Transaction were approved by Magen Shareholders (for further details on these matters, please see Magen's management information circular dated April 26, 2022, which is accessible on Magen's SEDAR profile at [www.sedar.com](http://www.sedar.com)).

### **Grey Wolf Shareholder Approval**

As a condition of the Proposed Qualifying Transaction, the Grey Wolf Shareholders are required to approve, at the meeting of the Grey Wolf Shareholders, a special resolution authorizing the Amalgamation.

### **Exchange Approval**

The Proposed Qualifying Transaction is subject to the approval of the Exchange. Listing of the Resulting Issuer Shares to be issued in connection with the Proposed Qualifying Transaction is subject to the Resulting Issuer fulfilling all requirements of the Exchange on completion of the Proposed Qualifying Transaction.

The Resulting Issuer will be considered to have completed the Proposed Qualifying Transaction on the date that the Exchange issues the Final QT Exchange Bulletin, which is expected to be on or about the fifth (5th) business day after the closing of the Proposed Qualifying Transaction, provided that all required documentation is filed with the Exchange. The CPC Policy shall cease to apply after the completion of the Proposed Qualifying Transaction, with the exception of any escrow resale restrictions, which will continue in full force and effect.

## PART II - INFORMATION CONCERNING THE ISSUER

### CORPORATE STRUCTURE

#### Name and Incorporation

Magen was incorporated under the OBCA on February 9, 2021 and is classified as a CPC in accordance with the CPC Policy. Since its incorporation Magen has not carried on any business or operations other than identifying and evaluating business opportunities for the purposes of completing a Qualifying Transaction.

Magen completed its initial public offering of 40,000,000 Magen Shares at a price of \$0.10 per Magen Share for gross proceeds of \$4,000,000 on June 17, 2021. The Magen Shares trade on the Exchange under the symbol "MAGNP", but have been halted since January 26, 2022 and are intended to remain halted until the completion of the Proposed Qualifying Transaction.

Magen is authorized to issue an unlimited number of common shares without nominal or par value, of which 60,000,000 are issued and outstanding as at the date hereof.

The registered and head office of Magen is located at 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1.

#### Inter-Corporate Relationships

Subco is Magen's only material subsidiary and is wholly-owned by Magen. Subco was incorporated on October 26, 2022 pursuant to the OBCA, solely for the purposes of participating in and completing the Amalgamation.

### GENERAL DEVELOPMENT OF THE BUSINESS

#### History of the Issuer

Magen was incorporated under the OBCA on February 9, 2021 and is classified as a CPC in accordance with the CPC Policy.

On February 22, 2021, the Issuer issued 9,800,000 Magen Shares at \$0.05 per share for gross proceeds of \$490,000. On April 9, 2021, the Issuer issued a total of 10,200,000 Magen Shares at \$0.05 per Magen Share for total proceeds of \$510,000.

On February 22, 2021, the Issuer granted 5,000,000 Magen Options to directors and officers, which are exercisable until February 22, 2026 at an exercise price of \$0.05 per Magen Share.

On June 17, 2021, the Issuer completed its initial public offering of 40,000,000 Magen Shares at \$0.10 per share (\$4,000,000). The Issuer paid a commission of 9% of the gross proceeds to Canaccord Genuity Corp. (the "**Agent**"), and granted the Agent warrants to purchase 3,200,000 Magen Shares exercisable until June 17, 2026 at an exercise price of \$0.10 per Magen Share.

Concurrently with completion of the initial public offering, the Issuer granted an aggregate of 1,000,000 Magen Options to its officers and directors at an exercise price of \$0.10 per Magen Share exercisable until June 17, 2026.

The Issuer identifies and evaluated businesses and assets with a view to completing a Qualifying Transaction. The Issuer has not conducted commercial operations. Until completion of a Qualifying Transaction, the Issuer will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction.

On March 16, 2022, Magen entered into the Definitive Agreement with Grey Wolf. For further information see "*Part I - The Proposed Qualifying Transaction*".

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Management's Discussion and Analysis**

Magen's Management Discussion and Analysis for the period from incorporation (February 9, 2021) to December 31, 2021 and for the six month period ended June 30, 2022, are attached to this Filing Statement as Schedule "F".

## **DESCRIPTION OF THE SECURITIES OF THE ISSUER**

### **Magen Shares**

The Issuer is authorized to issue an unlimited number of Magen Shares of which 60,000,000 Magen Shares were issued and outstanding as fully paid and non-assessable shares as of the date of this Filing Statement.

After giving effect to the Consolidation, Magen will have 3,599,993 Magen Shares issued and outstanding, subject to minor deviation as a result of the effects of rounding at the individual shareholder level.

Magen Shareholders are entitled to dividends, if, as and when declared by the Magen Board. They are also entitled to receive notice of, to attend and to one vote per share at, meetings of Magen Shareholders and, upon liquidation, to receive the remaining property and assets of Magen.

### **Magen Broker Warrants**

The Issuer has issued 3,200,000 Magen Broker Warrants to purchase up to 3,200,000 Magen Shares as of the date of this Filing Statement. The Magen Broker Warrants expire on June 17, 2026.

After giving effect to the Consolidation, Magen will have 192,000 Magen Broker Warrants issued and outstanding, subject to minor deviation as a result of the effects of rounding at the individual securityholder level.

### **Magen Options**

An aggregate of 5,000,000 Magen Options were previously granted to officers and directors of the Issuer on February 22, 2021, with an exercise price of \$0.05 per Magen Share, and exercisable until February 22, 2026. An additional 1,000,000 Magen Options to purchase up to 1,000,000 Magen Shares were granted at the closing of the Magen initial public offering with an exercise price of \$0.10 per Magen Share, and exercisable until June 17, 2026.

As of the date of this Filing Statement, 6,000,000 Magen Options are issued and outstanding.

After giving effect to the Consolidation, Magen will have 359,999 Magen Options issued and outstanding, subject to minor deviation as a result of the effects of rounding at the individual securityholder level.

## **STOCK OPTION PLAN**

Magen has in place the Magen Stock Option Plan, which was approved by the Magen Board. The Magen Stock Option Plan provides that the Magen Board (or a duly designated committee thereof) may, from time to time, in its discretion, and in accordance with the requirements of the TSXV, grant to officers, directors, employees, and technical consultants of Magen, Magen Options, provided that:

- (a) the number of Magen Shares reserved for issuance thereunder shall not exceed 10% of the issued and outstanding Magen Shares from time to time;
- (b) the number of Magen Shares reserved for issuance to any individual director or officer shall not exceed 5% of the issued and outstanding Magen Shares, from time to time; and
- (c) the number of Magen Shares reserved for issuance to any technical consultant shall not exceed 2% of the Magen Shares issued and outstanding as at the closing of Magen's initial public offering.

The exercise price of any Magen Option is determined by the Magen Board, subject to any applicable approval of the TSXV, and in no event shall the exercise price be lower than the exercise price permitted by the TSXV.

The Magen Stock Option Plan provides that Magen Options may be exercisable for a maximum period of up to 10 years from the date of grant. Further, following completion of a Qualifying Transaction, Magen Options representing not more than 5% of the issued and outstanding Magen Shares from time to time may be granted to any participant within any twelve-month period, unless the Resulting Issuer obtains the approval of the disinterested shareholders of the Resulting Issuer.

Pursuant to the Magen Stock Option Plan, upon the completion of a Qualifying Transaction, Magen Options granted to officers, directors and technical consultants of Magen may be exercised within the later of (i) 12 months after the completion of a Qualifying Transaction, and (ii) 90 days after the participant ceases to be an officer, director or technical consultant of Magen, subject to the earlier expiration of such Magen Option in accordance with its terms.

As at the date of this Filing Statement, Magen has reserved 6,000,000 Magen Shares for issuance upon the exercise of Magen Options, 5,000,000 of such Magen Options were granted to the current directors and officers of Magen on February 22, 2021 and 1,000,000 of such Magen Options were granted to the current directors and officers of Magen on June 17, 2021. All Magen Options are non-assignable and not transferable, except under limited circumstances as specified in the Magen Stock Option Plan.

**The foregoing summary of the Magen Stock Option Plan is qualified in its entirety by the full text of the Magen Stock Option Plan, which is available under Magen's company profile on SEDAR at [www.sedar.com](http://www.sedar.com).**

#### PRIOR SALES

The Issuer has not issued any Magen Shares (or securities convertible into Magen Shares) in the 12-month period immediately prior to the date of this Filing Statement.

#### TRADING PRICE AND VOLUME

The Magen Shares are currently listed on the TSXV under the trading symbol "MAGNP". The following table sets forth the reported high and low prices and the trading volumes for the Magen Shares for the 12-month period before the date of this Filing Statement:

	High (\$)	Low (\$)	Volume
November 2021	0.12	0.105	165,500
December 2021	0.11	0.07	411,000
January 2022	0.14	0.075	507,500
February 2022 <sup>(1)</sup>	0.00	0.00	0.00
March 2022 <sup>(1)</sup>	0.00	0.00	0.00
April 2022 <sup>(1)</sup>	0.00	0.00	0.00
May 2022 <sup>(1)</sup>	0.00	0.00	0.00

June 2022 <sup>(1)</sup>	0.00	0.00	0.00
July 2022 <sup>(1)</sup>	0.00	0.00	0.00
August 2022 <sup>(1)</sup>	0.00	0.00	0.00
September 2022 <sup>(1)</sup>	0.00	0.00	0.00
October 2022 <sup>(1)</sup>	0.00	0.00	0.00

**Note:**

- (1) The listed securities of Magen have been placed in a trading halt effective January 26, 2022 at the request of Magen and are expected to remain halted until Completion of the Qualifying Transaction.

### **ARM'S LENGTH TRANSACTIONS**

The Proposed Qualifying Transaction was negotiated by the Parties dealing at arm's length with each other and is not a Non-Arm's Length Qualifying Transaction.

### **LEGAL PROCEEDINGS**

There are no legal proceedings involving the Issuer as at the date of this Filing Statement and the Issuer knows of no such proceedings currently contemplated.

### **AUDITOR, TRANSFER AGENTS AND REGISTRARS**

#### **Auditor**

The auditors of the Issuer are MNP LLP, Chartered Accountants at its office at 111 Richmond Street West, Suite 300, Toronto, Ontario, M5H 2G4.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for the Magen Shares is TSX Trust Company at its principal office at 301 - 100 Adelaide Street West, Toronto, Ontario, M5H 4H1.

### **MATERIAL CONTRACTS**

Except for contracts entered into in the ordinary course of business, the only material contracts that Magen has entered into prior to the date of this Filing Statement, which can reasonably be regarded as presently being material, are the following:

1. Agency agreement dated May 17, 2021 between Magen and the Agent in connection with Magen's initial public offering.
2. CPC Escrow Agreement.
3. Transfer Agent, Registrar and Disbursing Agent Agreement dated May 17, 2021 between Magen and TSX Trust Company.
4. Definitive Agreement.

Copies of all relevant agreements are or will be made available on SEDAR under the Issuer's profile at [www.sedar.com](http://www.sedar.com) or upon request from Dentons Canada LLP, counsel to the Issuer, at 77 King Street West, Suite 400, Toronto-Dominion Centre, Toronto, Ontario M5K 0A1.

## PART III - INFORMATION CONCERNING THE TARGET COMPANY

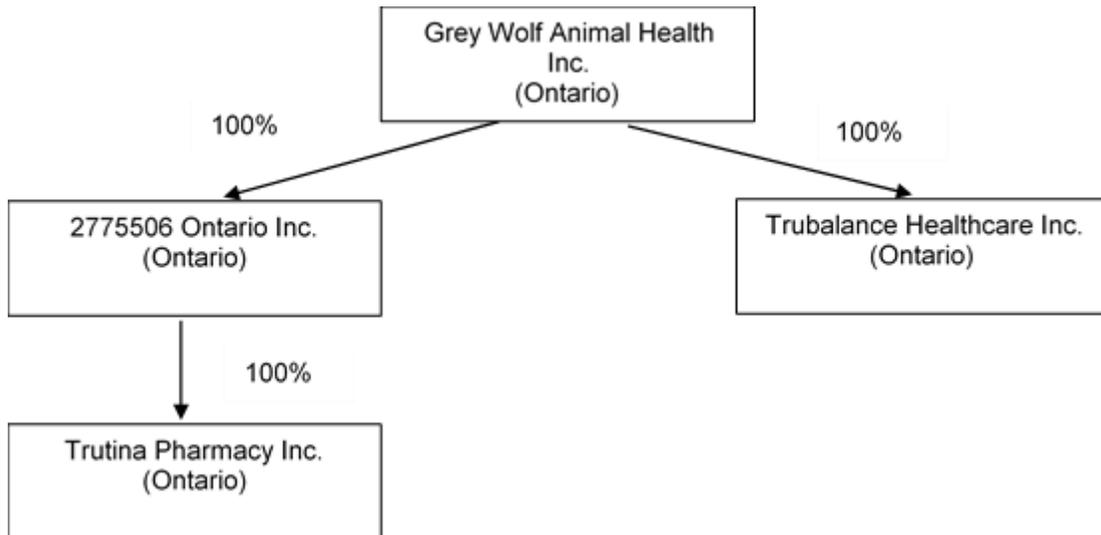
### CORPORATE STRUCTURE

#### Name and Incorporation

Grey Wolf is a privately owned company and was incorporated under the *Business Corporations Act* (Ontario) on March 24, 2015. On December 31, 2018, Grey Wolf acquired VHS, and on December 31, 2020, Grey Wolf amalgamated with VHS under the *Business Corporations Act* (Ontario). Grey Wolf's head office, registered office and principal address is located at 65 Front Street East, Suite 201, Toronto, Ontario M5E 1B5. Grey Wolf subsequently filed articles of amendment on August 31, 2021 to increase the authorized capital of Grey Wolf and designate Series B Preferred Shares.

#### Inter-Corporate Relationships

Grey Wolf has three wholly-owned subsidiaries: (i) 2775506 Ontario Inc., a corporation existing under the laws of the Province of Ontario, (ii) Trutina, a corporation existing under the laws of the Province of Ontario, and (iii) TruBalance, a corporation existing under the laws of the Province of Ontario. The following chart sets out the material intercorporate relationships of Grey Wolf as at the date of this Filing Statement:



### DESCRIPTION OF THE BUSINESS

#### General

##### Overview

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 Grey Wolf's corporate strategy is to source, in-license, acquire or compound innovative branded and generic products for sale in Canada.

##### Leverage an integrated sales and marketing approach

Grey Wolf has developed an integrated sales and marketing team that targets clinics and pet owners coast-to-coast. Grey Wolf's strategy is to become a trusted source of information in the therapeutic fields it is active in, such as gastrointestinal upset and wound care. This is accomplished in part by building strategic

relationships with veterinarians, industry leaders and other key opinion leaders that Grey Wolf can leverage in developing and disseminating the message about the products and treatment options available.

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.

#### In-licensing or Acquiring Late-Stage Products

Grey Wolf actively searches and identifies product opportunities for acquisition or in-licensing. While Grey Wolf employs an opportunistic approach in looking at products across broad therapeutic classes, the company is primarily focused on late-stage and commercial products to mitigate clinical, regulatory and commercial risks. Such products have generally passed efficacy and safety trials and have a demonstrated track record of commercial success in other markets.

Grey Wolf's business model consists of acquiring 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 that do not have a presence in Canada. Grey Wolf offers its strategic partners a "one-stop shop" access to the Canadian market by providing all the services required to register, import, distribute and commercialize the products in Canada.

#### Strategic Acquisitions

Grey Wolf maintains an active program to identify potential products and companies that complement its existing business model. 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 and clinical perspective, commercial, economic, etc. to determine its fit within Grey Wolf's business and growth strategy.

### **Grey Wolf's Business**

Grey Wolf is an animal health company which operates two business units: (1) Animal Health; and (2) Pharmacy. The Animal Health business unit primarily focuses on selling, marketing, and distributing pharmaceutical, nutraceutical, and consumable products to veterinary clinics across Canada. The Pharmacy business unit is primarily involved in formulating, developing, compounding and selling compounded medication to veterinary clinics and patients across Canada.

#### *Animal Health Business Unit*

Grey Wolf acquired VHS on December 31, 2018. Following the acquisition of VHS, Grey Wolf initiated commercial operations in 2019 to market and sell a portfolio of established and new pharmaceuticals, nutraceuticals, and consumables to veterinary clinics across Canada.

#### Key Pharmaceutical Portfolio

Prescription pharmaceutical products are widely prescribed and dispensed by veterinarians for in-clinic or at home use when treating their patients. These branded and generic pharmaceutical products are approved by Health Canada for use in specific species, e.g., cats and dogs. Grey Wolf has formed strategic partnerships to represent a portfolio of Health Canada approved branded and generic pharmaceutical

products in the veterinary channel in Canada. The table below lists the key pharmaceutical products and their indications in Grey Wolf's portfolio:

Product	Therapeutic Class	Indication	Species	Status
Thyro-Tabs® Canine	Endocrinology	Hypothyroidism	Dogs	Marketed
Ataject®	Analgesic/Sedative	Reversal of sedative & analgesic agents	Dogs	Marketed
Sedaject®	Analgesic/Sedative	Sedative and analgesic	Dogs & cats	Marketed
Meloxicam	NSAID	Pain	Dogs	Marketed

In addition, Health Canada approved human drugs can be used off-label if there is no veterinary drug available. Grey Wolf acts as the sales agent for a Canadian, global pharmaceutical company that produces high-quality, affordable medicines in the veterinary channel in Canada.

#### Key Nutraceutical Portfolio

Nutraceutical products are often recommended by veterinarians for at home use to care for their animal patients. Grey Wolf has formed strategic partnerships to market and sell a portfolio of veterinary exclusive low-risk veterinary health products, which are approved by Health Canada, to veterinary clinics across Canada.

Grey Wolf's portfolio offers veterinarians and "pet parents" natural and safe options to support the health and well-being of pets, including:

1. Acute gastrointestinal upset, which is the number one reason for non-routine visits to veterinary clinics. The standard of care has been antibiotics, which can take up to 48 hours to act and are potentially harmful to the gut microbiome. Grey Wolf's +GI portfolio provides veterinarians and pet owners a natural, fast acting approach to treating acute GI upset at home.
2. Increased behaviour and anxiety brought about by all the changes related to Covid-19 and back to work and school. Composure™ Pro is an all-natural calming support chew for cats and dogs that has been shown in clinical studies to work within 30 minutes and last up to four hours.
3. Joint maintenance and health. Vetriflex helps to reduce pain and inflammation while repairing and restoring joints. This clinically proven, all-natural Health Canada-approved chewable supplement mimics the anti-inflammatory properties of an NSAID and has the added benefit of providing structural support for joints and soft tissue in cats and dogs.

The table below lists Grey Wolf's key nutraceutical products and their recommended uses:

Product	Description	Species	Status
Gastrointestinal Upset			
Entero Aid +GI™	Oral paste for acute GI upset	Dogs, cats	Marketed
Pro Care +GI®	Probiotic for digestive and immune health	Dogs, cats	Marketed

Behaviour			
Composure™ Pro	Supplement for calm behaviour and brain health	Dogs, cats	Marketed
Joint Supplements			
Vetriflex®	Joint support and health	Dogs, cats	Marketed

### Key Consumable Portfolio

Every day veterinarians perform procedures and surgeries in their clinics, which require consumables such as wound care products, bandages, needles and syringes. Grey Wolf commercializes a portfolio of consumable products to support veterinarians as they care for their animal patients. The table below outlines the key products in Grey Wolf's consumable portfolio:

Product	Description	Status
Medical Pet Shirt®	Protective wear including shirts, boots, hats and leg sleeves designed to protect wounds while they heal	Marketed
Advanced wound care	Advanced wound care portfolio is based on 100% medical grade Manuka honey, an all-natural alternative to antibiotics, and highly absorbent dressings	Marketed
Disposables	Needles, syringes and catheters	Marketed

### Product Supply

Grey Wolf does not manufacture any of its products directly, but rather outsources this function to its license and supply partners who provide the products on the terms defined in their agreements with Grey Wolf. Grey Wolf has not invested, nor does it intend to invest, in large scale commercial production facilities and expects to continue to outsource all of its manufacturing. Through contractual arrangements and quality control audits, Grey Wolf ensures that its products are manufactured in accordance with current good manufacturing practices, consistent with regulatory requirements. In addition, under most of Grey Wolf's product license agreements, the licensor retains the rights and obligations to manufacture the licensed product. The inability of Grey Wolf's partners to supply product can have a material adverse effect on Grey Wolf's financial condition and results of operations and cash flows.

### *Pharmacy Business Unit*

Founded in 2007, Trutina is an independent Canadian compounding pharmacy that specializes in the formulation of innovative compounds for veterinary and human customers across Canada. Grey Wolf acquired Trutina in September 2021. Trutina is an accredited pharmacy under the Ontario College of Pharmacists. Pursuant to section 142(2) of the *Drug and Pharmacies Regulations Act* (Ontario), no corporation may own or operate a pharmacy unless the corporation operated a pharmacy on May 14, 1954 ("**1954 Status**"). Trutina holds 1954 Status.

### Veterinary Portfolio

Trutina is a leader in equine pharmaceutical compounding for all different types of horses including racehorses and equestrian. The main customers for animal health compounded pharmaceuticals are veterinary clinics across Canada. Veterinarians rely on compounded pharmaceutical medications when

they are unable to acquire a Health Canada approved product in the dose or format that is needed to treat their patient. Trutina processes prescriptions received from veterinary clinics and makes the product in their facility. Trutina compounds sterile and non-sterile medications using both hazardous and non-hazardous chemicals. Once a product is made, it is shipped directly to the veterinary clinic who would then dispense the medication to their patients.

### Human Portfolio

Trutina also offers bioidentical hormone replacement therapy for women and men, including testosterone replacement therapy. Trutina is skilled in compounding custom topical estrogen creams to help patients effectively improve the texture (i.e., moisture, elasticity and firmness) of their skin. Each prescription can be individually compounded into the exact dosage of physician-specified ingredients that is customized to a particular patient's hormone profile. In addition, the delivery system for the product can be customized to each patient. Trutina has the capability to make products, such as capsules, creams, gels, suppositories or injectables according to the prescription. Prescriptions are received from patients or clinics and once processed and made the final product is shipped directly to the patient for at home use.

### Facility

Trutina operates out of a state-of-the-art facility built in early 2017. The approximately 7,500 square foot facility was designed to meet specific regulatory and environmental requirements related to packaging, storage, sterility and stability of raw chemicals and finished preparations and to ensure compliance with NAPRA and United States Pharmacopeia ("USP") 795 (non-sterile), USP 797 (sterile) and USP 800 (hazardous/non-hazardous) compounding standards.

The facility has approximately 40 different rooms to conduct various business operations including 14 clean rooms for preparation of non-sterile medication and 15 clean rooms for preparation of sterile medication as well as warehousing space, mechanical rooms, and refrigeration storage areas. The clean rooms for sterile products are ISO 7 certified and sterility is verified by an independent third party.

Trutina has integrated all their equipment with a lab management program, which allows Trutina to digitally track the use of all equipment. Everything from the balances used in weighing out raw materials to the room temperature and humidity is controlled and monitored through the lab management system. This results in increased workflow efficiency and enables Trutina to maintain a high level of quality.

### Compounding

Trutina depends on third parties for the supply of the raw materials necessary to develop and compound its products, including the active and inactive pharmaceutical ingredients used in its products. Trutina sources its active pharmaceutical ingredients from Health Canada and/or FDA approved suppliers/importers, whose testing and quality assurance standards meets or exceeds the USP standards for each chemical. To the extent practicable, Trutina attempts to identify more than one supplier, however, some raw materials are available only from a single source. The inability of Trutina to source materials can have a material adverse effect on Grey Wolf's financial condition and results of operations and cash flows.

### *Sales and Marketing*

Grey Wolf's sales and marketing strategy is focused on three key activities: (i) creating demand among veterinary clinic staff; (ii) creating awareness/demand among pet parents; and (iii) ensuring distribution to veterinary clinics.

### Creating Demand Among Veterinary Clinic Staff

Grey Wolf utilizes several different sales and marketing platforms that are typically used by many large animal health companies:

- a) Grey Wolf's sales messaging demonstrates the features and benefits of products to veterinary clinic staff who may write prescriptions or make product recommendations to pet owners. Products are dispensed and sold by clinics to pet owners.
- b) The Grey Wolf marketing team sends weekly e-blasts to clinics nationwide sharing pertinent scientific information that provide clinics with practical solutions to improve patient outcomes. The email blast also notifies clinics of new product introductions and existing sales promotions.
- c) Grey Wolf has developed National Key Opinion Leader Specialist Advisory Boards in each therapeutic area to help review and disseminate the key scientific benefits to the general veterinary clinics across the country. Grey Wolf utilizes these Key Opinion Leaders to develop Continuing Education lectures which are delivered at major conferences throughout the year. Grey Wolf also utilizes these Key Opinion Leaders to deliver in service sessions to individual clinics and practice managers in hospitals.
- d) The Grey Wolf sales team conducts a large number of in-person and virtual lunch and learns that effectively disseminates the key messages from the Key Opinion Leaders to all clinic staff members.
- e) The Grey Wolf marketing team, in collaboration with the Key Opinion Leaders, develops educational clinical tools to assist clinics in following new protocols to improve patient outcomes.
- f) Grey Wolf financially supports and attends major conferences through the year to actively promote their product lines while further enhancing the corporate image.
- g) Grey Wolf is an active participant in preferred vendor programs with large animal hospital groups such as Vet Alliance Inc. ("**VetStrategy**"), GlobalVet and VCA Canada.

#### Creating Demand Among Pet Parents

The Grey Wolf marketing team has collaborated with marketing agencies to develop digital marketing campaigns touting features and benefits of products to pet parents. The goal of these campaigns is to increase awareness of disease states and provide clinical evidence as to where Grey Wolf products can be used within those disease states. The 'Call to Action' is to have the pet parents talk to their veterinarians. These activities support veterinarian clinics by encouraging pet parents to ask about products which they can then purchase from their local clinic directly or through their vet's online ecommerce website.

#### Ensuring Distribution

The Grey Wolf sales, marketing and distribution teams work very closely with the four national buying groups to ensure they are stocked with Grey Wolf products so that when veterinary clinics place an order, they receive the product.

See also "*Part III – Information Concerning the Target Company – Description of the Business – Animal Health Industry – Veterinary Distribution Network*".

#### Dedicated Sales and Marketing Team

To excel in the many commercial activities that Grey Wolf engages in, Grey Wolf has built an experienced sales and marketing organization. Grey Wolf has a National Sales Manager with a full complement of 12 experienced Territory Managers providing nationwide coverage. Grey Wolf's goal was to create the most professional, efficient and widely respected animal health sales team in Canada.

The Grey Wolf marketing team consists of four professional, well-trained individuals with over 50 years of experience in both animal and human health care sectors. The marketing team members have enjoyed great success with both large multi-national and smaller entrepreneurial companies.

### TruBalance

TruBalance is the marketing and Continuing Health Education provider for Trutina. TruBalance is committed to setting the gold standard of quality in physician education and preventative medicine for Bioidentical Hormone Replacement Therapy (“BHRT”) and Testosterone Replacement Therapy (“TRT”).

The goal of TruBalance is to provide the most informative education to physicians and licensed healthcare professionals in the industry, while simultaneously providing clients with the best service in the BHRT and TRT industry.

### *Products and Services*

The following table outlines the revenue for each business unit of Grey Wolf for the financial years ended December 31, 2021 and December 31, 2020.

	<b>Year ended December 31, 2021 (\$) (audited)</b>	<b>Year ended December 31, 2020 (\$) (audited)</b>
<b>Revenues</b>		
Animal Health	9,767,553	7,681,985
Pharmacy	3,327,886	N/A <sup>(1)</sup>

**Note:**

(1) Pharmacy business and operations were acquired as part of the Trutina Acquisition on September 1, 2021.

### *Financings*

#### 2018 Private Placement Offering of Debenture Units

On December 20, 2018, Grey Wolf completed a private placement offering (the “**2018 Offering**”) of 2,070 6% unsecured convertible debenture units of Grey Wolf (the “**2018 Debenture Units**”), at a price of \$1,000 per 2018 Debenture Unit, for aggregate gross proceeds of \$2,070,000.

Each 2018 Debenture Unit consists of (i) one 6.0% unsecured convertible debenture of Grey Wolf in the principal amount of \$1,000 (each, a “**2018 Debenture**” and collectively, the “**2018 Debentures**”) and (ii) 200 common share purchase warrants (each a “**2018 Warrant**”).

Interest at a rate of 6.0% per annum will accrue quarterly and will be payable in arrears in Grey Wolf Common Shares or cash at Grey Wolf’s sole discretion. If payable in Grey Wolf Common Shares, determination of the number of Grey Wolf Common Shares payable will be based on the price at which Grey Wolf Common Shares were sold in Grey Wolf most recently completed common share financing, and such shares will be issued upon the earlier of the maturity date and a liquidity event.

The 2018 Debentures are convertible, in whole or in part, at any time at the holder’s option into Grey Wolf Common Shares at a conversion price of \$1.50 per Grey Wolf Common Share. The 2018 Debentures will automatically convert into Grey Wolf Common Shares at the conversion price of \$1.50 upon the earlier of the maturity date and a liquidity event. The 2018 Debentures will mature on the date which is five (5) years following the issuance date.

Each 2018 Warrant entitles the holder thereof to purchase one Grey Wolf Common Share (each, a “**2018 Warrant Share**”) at an exercise price of \$2.00 per 2018 Warrant Share at any time up to December 20, 2021 which was subsequently extended to December 20, 2022, subject to adjustment in certain events.

As consideration for the services rendered by Echelon Wealth Partners Inc. (“**Echelon**”), Echelon was issued 38,000 broker warrants (the “**2018 Broker Warrants**”). Each 2018 Broker Warrant entitles the holder thereof the right to purchase one Grey Wolf Common Share (each a “**2018 Broker Share**”), at an exercise price of \$1.50 per 2018 Broker Share until December 20, 2021 which was subsequently extended to December 20, 2022.

#### 2019 Private Placement Offering of Debenture Units

Between February and July 2019, Grey Wolf completed a private placement offering of 419 2018 Debenture Units on the same terms as the 2018 Offering, for aggregate gross proceeds of \$419,000.

The 2018 Debentures will automatically convert into 1,659,333 Grey Wolf Common Shares, in accordance with their terms, assuming completion of the Proposed Qualifying Transaction on September 30, 2022.

#### 2020 Private Placement Offering of Debentures and Preferred Shares

Between June and November 2020, Grey Wolf completed a private placement offering (the “**2020 Offering**”) of (i) 5% unsecured convertible debentures of Grey Wolf (the “**2020 Debentures**”) in the principal amount of \$1,339,999 and (ii) 292,403 Class A preferred shares of Grey Wolf (the “**2020 Preferred Shares**”), at a price of \$1.50 per 2020 Preferred Share, for aggregate gross proceeds of \$1,778,605. Of the total gross proceeds, \$500,000 was converted from proceeds of a shareholder loan.

The holders of the 2020 Debentures and 2020 Preferred Shares are entitled to receive interest or dividends, as applicable, payable quarterly in arrears in cash at an annual rate of 5%.

#### 2021 Private Placement Offering of Debentures and Preferred Shares

On March 12, 2021, Grey Wolf completed a private placement offering of (i) 2020 Debentures in the principal amount of \$25,000 and (ii) 48,333 2020 Preferred Shares, on the same terms as the 2020 Offering, for aggregate gross proceeds of \$97,500.

The 2020 Debentures and 2020 Preferred Shares will automatically convert into 909,999 Grey Wolf Common Shares and 340,736 Grey Wolf Common Shares, excluding accrued interest and dividends, as applicable, in accordance with their respective terms, assuming completion of the Proposed Qualifying Transaction on September 30, 2022.

#### 2021 CWB Loan

In connection with the 2021 Offering, Grey Wolf entered into the CWB Loan for total proceeds of \$11,500,000. As consideration for the services rendered, BBSI was issued 161,000 broker warrants and INFOR Financial Inc. was issued 69,000 broker warrants (collectively, the “**2021 Debt Placement Broker Warrants**”). Each 2021 Debt Placement Broker Warrant entitles the holder thereof the right to purchase one 2021 Broker Share, at an exercise price of \$2.10 per 2021 Broker Share until August 31, 2024.

The CWB 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 CWB Loan is secured and initially repayable in 60 equal monthly instalments of \$120,742 commencing on October 1, 2021. Grey Wolf has an annual debt service coverage ratio financial covenant and is in compliance with this debt covenant as of December 31, 2021.

### 2021 Private Placement Offering of Debenture Units and Preferred Share Units

On August 31, 2021, Grey Wolf completed a private placement offering (the “**2021 Offering**”) of (i) 1,115 10% unsecured convertible debenture units of Grey Wolf (the “**2021 Debenture Units**”), at a price of \$10,000 per 2021 Debenture Unit and (ii) 241 Series B Preferred share units of Grey Wolf (the “**2021 Preferred Share Units**”), at a price of \$10,000 per 2021 Preferred Share Unit, for aggregate gross proceeds of \$13,560,000.

Each 2021 Debenture Unit consists of (i) one 10.0% unsecured convertible debenture of Grey Wolf in the principal amount of \$10,000 (each, a “**2021 Debenture**” and collectively, the “**2021 Debentures**”) and (ii) 1,250 common share purchase warrants (each a “**2021 Warrant**”). Each 2021 Debenture will accrue interest quarterly, in arrears, at a rate of 10.0% per annum which will be payable in Grey Wolf Common Shares at the current market price on either August 31, 2024 (the “**Maturity Date**”) or upon Automatic Conversion (as herein defined).

Each 2021 Preferred Share Unit consists of (i) 5,000 convertible Series B preferred shares of Grey Wolf (each, a “**Series B Preferred Share**”) and (ii) 1,250 2021 Warrants. Each Series B Preferred Share will accrue dividends quarterly, in arrears, at a rate of 10.0% per annum which will be payable in Grey Wolf Common Shares at the current market price on either the Maturity Date or upon Automatic Conversion.

Each 2021 Warrant entitles the holder thereof to purchase one Grey Wolf Common Share (each, a “**2021 Warrant Share**”) at an exercise price of \$2.10 per 2021 Warrant Share at any time up to the Maturity Date, subject to adjustment in certain events.

The 2021 Debentures and Series B Preferred Shares will automatically convert (the “**Automatic Conversion**”) into 7,433,333 Grey Wolf Common Shares and 1,606,667 Grey Wolf Common Shares, excluding accrued interest and dividends, as applicable, in accordance with their respective terms, assuming completion of the Proposed Qualifying Transaction on September 30, 2022.

The 2021 Offering was conducted pursuant to an agency agreement (the “**2021 Agency Agreement**”) between Grey Wolf and BBSI, INFOR Financial Inc., Stifel Nicolaus Canada Inc., and Richardson Wealth Ltd. (collectively, the “**2021 Agents**”). As partial consideration for the services rendered by the 2021 Agents, the 2021 Agents were issued an aggregate of 452,000 broker warrants (the “**2021 Broker Warrants**”). Each 2021 Broker Warrant entitles the holder thereof the right to purchase one Grey Wolf Common Share (each a “**2021 Broker Share**”), at an exercise price of \$2.10 per 2021 Broker Share until August 31, 2024.

#### *Employees and Facilities*

As at December 31, 2021, Grey Wolf had a total of 40 employees, as follows: (i) 19 employees of Grey Wolf primarily responsible for operations, sales and marketing, finance, business development and medical affairs, and (ii) 21 employees of Trutina primarily responsible for formulating, making, and processing compounded medications.

Grey Wolf’s corporate head office is in Toronto, Ontario. All key decisions related to the business are made from Grey Wolf’s head office. Grey Wolf also leases a 15,000 square foot warehouse in Windsor, Ontario, which oversees the receiving, warehousing and shipping of the Animal Health business unit product portfolio. The Trutina facility is in Ancaster, Ontario and is responsible for processing, making and shipping all orders for compounded medications for the Pharmacy business unit.

#### **Animal Health Industry**

##### *The US Animal Health Industry*

According to the American Pet Products Association, the US pet industry reached \$123.6 billion in sales in 2021 following a record setting year of 2020 when the industry exceeded \$100 billion for the first time. Pet

food and treats accounted for approximately \$50 billion, up 13.6% year over year followed by veterinary care and sales of pharmaceuticals and other products through veterinary clinics at \$35 billion, supplies, live animals and over-the-counter medications at \$30 billion, and other services (including grooming, dog walking and boarding) at \$9.5 billion.<sup>1</sup> Globally, the pet industry has shown itself to be strong and resilient and is expected to continue to grow in 2022 and beyond.

The resiliency of the industry is primarily driven by increased pet ownership as more people adopted or acquired a pet during the pandemic, with Millennials now making up roughly one-third of pet owners. The last few years have also seen a shift towards pets being viewed as family members. This “humanization” of pets has led to increased spend on both health and wellness as well as therapeutics as pets get sick or age. Veterinarians play a central role throughout the lifetime of a pet, providing a trusted source of information for pet care. This role has continued to remain key in the pet ecosystem, particularly for Gen X and baby boomers who have spent, on average, more on big-ticket items such as food and vet care.<sup>2</sup>

### *The Canadian Animal Health Industry*

According to Statistics Canada, spending on pets, pet products and veterinary services reached \$12 billion in 2021. The industry has displayed recession and pandemic resistant characteristics, growing at a 16-year CAGR of 6.9%. Since 2020, spending grew by 11% year-over-year largely driven by record rates of pet adoption during the pandemic, the rising burden of animal disease and increased spend on animal health.<sup>3</sup> While Grey Wolf expects continued growth, growth may slow down to pre-pandemic levels of mid to high single digit growth.

According to a Mordor Intelligence report, the Canadian veterinary healthcare market had revenue of approximate US\$1.7 billion in 2021 and is expected to grow to US\$3.3 billion by 2027, a CAGR of 7.45%.<sup>4</sup>

A 2020 survey of Canadians conducted on behalf of the Canadian Animal Health Institute estimated a population of approximately 7.7 million dogs and approximately 8.1 million cats in Canada. Almost 58% of Canadian households have at least one cat or dog with millennials the largest group of pet owners. Many of the same global trends are resonating and playing out among pet owners in Canada creating significant opportunity for innovative, niche products that support veterinarians and clinics as they treat pet patients.<sup>5</sup>

Canada has a strong, vibrant equine market with a focus on sport competition and racing. Canada is also home to over 500,000 horses with about one-third located in Alberta followed by Ontario, British Columbia and Saskatchewan according to an Equestrian Canada study.<sup>6</sup> The main activities for horses in Canada are sports competition and racing (~23%), breeding (~18%) and pleasure riding (~18%). Another approximately 23% of horses are identified as young, not yet in use with 50-60% of these horses intended for sport competition and racing.<sup>7</sup>

### Veterinary Practices

According to the CVMA, there were approximately 15,118 veterinarians in Canada in 2021. About 75% of veterinarians work in one of approximately 3,100 private clinical practices that operate across Canada. These practices may be companion animal, equine, food or farm animal, or mixed animal practices.<sup>8</sup>

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<sup>1</sup> American Pet Products Association. [https://www.americanpetproducts.org/press\\_industrytrends.asp](https://www.americanpetproducts.org/press_industrytrends.asp)

<sup>2</sup> American Pet Products Association Generational Report. <https://goodnewsforpets.com/american-pet-products-association-releases-generational-report/>

<sup>3</sup> Statistics Canada. Table 36-10-0225-01 Detailed household final consumption expenditure, provincial and territorial, annual (x 1,000,000)

<sup>4</sup> <https://www.mordorintelligence.com/industry-reports/canada-animal-healthcare-market-industry>

<sup>5</sup> Canadian Animal Health Institute. <https://www.cahi-icsa.ca/news/2020-canadian-pet-population-figures-released>

<sup>6</sup> <https://petkeen.com/horse-statistics-canada/#:~:text=2,->

,Canada%20is%20home%20to%20approximately%20500%2C000%20horses%2C%20with%20855%2C000,active%20in%20the%20equine%20industry.&text=550%2C000%20of%20these%20individuals%20live,are%20owned%20by%20someone%20else.

<sup>7</sup> [https://www.equestrian.ca/cfs/files/resources/wf9c32LH4uErLanMs/IN\\_2011\\_cnd\\_horse](https://www.equestrian.ca/cfs/files/resources/wf9c32LH4uErLanMs/IN_2011_cnd_horse)

<sup>8</sup> CVMA. <https://www.canadianveterinarians.net/about-cvma/media-centre/statistics/>

Veterinary practices are unique in their full-service offering to pet parents. Clinics include a doctor's office, hospital and pharmacy in one location. Veterinarians see patients for routine visits, such as wellness check-ups, vaccines, or flea and tick treatments. However, veterinarians also perform both non-emergency and emergency procedures and surgeries daily in the same clinic. Depending on the appointment, a veterinarian may prescribe and dispense pharmaceuticals for a pet parent to take home for use in treating an acute or chronic condition or they could be using pharmaceuticals and consumable (i.e., needles, syringes, bandages) as part of procedure (i.e., wound treatment or spay). In addition, the vast majority of clinics have front-shop boutiques where pet parents can purchase over-the-counter medications such as food, supplements, treats or even toys.

Unlike the United States or United Kingdom where approximately 20% and 50% of practices are corporately owned, respectively, veterinary practices in Canada are still largely privately owned. However, that landscape is changing. Ten years ago, there were two main corporate consolidators in Canada, the Associated Veterinary Clinics and VetStrategy, which together owned roughly one percent of all Canadian veterinary practices. Today, there are several corporate consolidators, and these groups now own about 13% of veterinary practices.<sup>9</sup> While these consolidators own a smaller percentage of practices, they have largely focused on acquiring the biggest practices giving them a larger share of the market in terms of revenue generation.

While there appeared to be an initial slow down in the early days of the pandemic as consolidators put offers on hold, the market has largely returned to normal. A Canadian Animal Health Market Update in June 2021 by Osler, Hoskin & Harcourt LLP, estimated that 25% of veterinary practices will be consolidated by 2023, representing approximately 50% of total visits to veterinary clinics. This trend is likely to continue as more consolidators enter the market and more veterinarians look to retire or cash-out.<sup>10</sup> In addition, prices paid by corporate consolidators tend to be higher than what a private buyer or associates in a clinic could pay, further driving veterinarians to partner with consolidators.

Both private and corporate clinics are important in the Canadian landscape and Grey Wolf targets both groups with sales and marketing initiatives. Developing strategic partnerships with corporate clinics will continue to play a key role in Grey Wolf's strategy as clinics look to focus on education, professional development and value-added services that benefit both staff and pet owners.

### Pet Insurance

The animal health market continues to be primarily a cash pay market. Unlike the human pharmaceutical industry, there is no government reimbursement program in place for pharmaceuticals and veterinary services are not covered by any government funded healthcare program.

However, pet insurance is a growing market as the cost to care for a pet continues to rise, leading more pet owners to turn to insurance to help manage the costs. It is estimated that less than 3% of Canadian pet owners have insurance for their pets compared to greater than 25% of owners in the UK. According to the North American Pet Health Insurance Association State of the Industry 2021 report, the total premium volume in Canada in 2020 was \$245 million with approximately 350,000 dogs and cats insured in Canada, up about 16% over 2019. It is estimated that the Canadian pet insurance market will expand at a CAGR of 7.4% through 2027.<sup>11</sup>

Grey Wolf expects the level of insured pets will continue to grow as the pet owners become increasingly focused on health and wellness of their pets and look to extend life or treat illness. Rising costs and increased information and understanding of treatment costs, presents an opportunity for growth in

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<sup>9</sup> <https://www.veterinarypracticenews.com/canadas-veterinary-consolidator-market-a-look-at-our-past-present-and-future/>

<sup>10</sup> <https://www.osler.com/en/resources/regulations/2021/canadian-animal-health-market-update-companion-animals-are-getting-a-lot-of-attention-during-covid>

<sup>11</sup> North American Pet Health Insurance Association. <https://naphia.org/industry-data/section-2-total-pets-insured/>

insurance coverage and an opportunity for the company to partner with insurance providers as well as clinics.

#### Veterinary Distribution Network

Canada has a unique distribution model involving four veterinary buying groups, which purchase, warehouse and distribute veterinary medicines and products to their member clinics across Canada:

1. Associated Veterinary Purchasing. Associated Veterinary Purchasing is a veterinarian owned co-operative established in 1983 and primarily services clinics located in British Columbia.
2. Western Drug Distribution Center. Western Drug Distribution Center is a veterinarian owned co-operative established in 1983. Western Drug Distribution Center has warehouses located in Edmonton, Alberta and Winnipeg, Manitoba and primarily serves clinics located in central and western Canada.
3. Veterinary Purchasing. Veterinary Purchasing is a veterinarian owned co-operative established in 1972. Veterinary Purchasing has warehouses located in St Mary's, Ontario and primarily serves clinics located in Ontario.
4. C.D.M.V. Inc. ("**CDMV**"). CDMV is a subsidiary of Investissement Quebec and established in 1972. CDMV operates distribution centres in Alberta, Ontario, Quebec and Nova Scotia serving clinics in those respective areas.

Given the geographic expanse of Canada, this model provides a convenient path for animal health companies to get products to each veterinary clinic. As the buying groups do not provide sales, marketing or customer service support for the products they distribute, the onus is on the animal health companies to promote their products to veterinarians and clinic staff to generate the orders and "pull through" of product from the buying groups.

Veterinary clinics can place orders daily, weekly or monthly as needed and the products generally arrive next day at the clinic. This flexibility and convenience in ordering could also help clinics keep inventory costs down.

The buying groups also operate e-commerce sites (either in-house or through third parties) for their member clinics. Pet owners can access their account through their clinic's website to purchase products such as food, supplements and treats. To the pet owner, they have the ease and convenience of ordering online for delivery and pick-up at their clinic or in some cases home delivery. For the veterinary clinic, they receive the same revenue as if the pet owner came into the clinic and made the purchase. The pet owner can also elect for auto-renew subscription and receive monthly deliveries of the key products they use on a regular basis, which eliminates the need for repeat ordering.

#### *Canadian Regulatory Environment*

Veterinarians are one of the only healthcare professionals that are authorized to prescribe and dispense drugs. The CVMA developed a Decision Cascade to support veterinarians in their decision-making on which drug to use when treating a patient. The Decision Cascade is only a recommendation, and the ultimate decision resides with the veterinarian and their client relationship. According to the Decision Cascade, Health Canada approved veterinary drugs should be used first. If no veterinary drugs are available, then a Health Canada approved human drug can be used off-label (known as extra label drug use or ELDU). Finally, compounded products can be used in instances where there is no veterinary or human drug available to treat the patient.

### Veterinary Products

The animal health market in Canada is regulated by various agencies of the federal government to ensure that products are efficacious and safe for use in companion and/or food-producing animals. Typically, animal health products fall into five categories in Canada:

1. Low risk VHPs. Products that fall into this category are regulated by the VDD of Health Canada and include vitamins, supplements, probiotics, and homeopathic medicines.
2. Pharmaceuticals. Pharmaceuticals make up the largest category of animal medications and are regulated by VDD. Products in this category include innovative or generic products such as analgesics, antibiotics and anaesthetics.
3. Biologics. Biologics are products derived from modified living organisms and are regulated by the Canadian Centre for Veterinary Biologics. Examples include vaccines, anti-toxins and antibodies.
4. Pesticides. Pesticides can be used to control infestations by fleas, ticks, and mites and are regulated by the Pest Management Regulatory Agency.
5. Feed Additives. The Feeds Division of the Canadian Food Inspection Agency is responsible for ingredients that are used in animal's feed or water.

The products sold by Grey Wolf fall under category (1) and (2) above and are regulated by VDD. VDD works to protect human and animal health and the safety of Canada's food supply by evaluating and monitoring the safety, quality and efficacy of veterinary drugs.

### Human Products

Veterinarians often rely on the off-label use of human drugs when treating their patients because a species-specific product may not exist. The Pharmaceutical Drugs Directorate is Canada's regulator of prescription pharmaceutical products for human use. Before authorizing a drug for sale in Canada, the Pharmaceutical Drugs Directorate verifies that it meets the safety, efficacy and quality requirements of the *Food and Drugs Act* (Canada) and its regulations.

### Compounded Products

Pharmaceutical compounding is the art of making custom medications specifically for an individual patient as prescribed by a veterinarian/physician. Compounding is often used for medically necessary reasons such as, changing the format from a solid pill to a liquid, avoiding a non-essential ingredient that a patient is allergic to, or obtaining the exact dose and strength that is required.

Compounded medications fall outside the jurisdiction of Health Canada and are regulated at a provincial level by the provinces respective drug and pharmacies act (known in Ontario as the Drug and Pharmacies Regulation Act, the Pharmacy Act and the Regulated Health Professions Act).

The act of compounding is carried out in a pharmacy. In Canada, pharmacy is one of the many self-regulating professions with the federal and provincial/territorial governments delegating their authority to regulate to an external college of pharmacists (known in Ontario as the Ontario College of Pharmacists). The colleges regulate pharmacy operations and hold pharmacists and pharmacy technicians accountable to any legislation, standards of practice and guidelines or policies relevant to pharmacy practice in their respective province. The colleges are also responsible for inspecting and accrediting pharmacies to hold them accountable to applicable operational standards.

In 1995, these colleges formed an alliance, NAPRA, to provide a platform for members to discuss issues and to take a national approach to addressing common issues in the practice of pharmacy in Canada. One

such guidance document that was developed by NAPRA related to establishing national guidelines and standards for pharmacy compounding across Canada. The implementation of these standards is under the authority of the respective provincial or territorial pharmacy regulatory bodies.

### *Competitive Environment*

Veterinarians continue to be a central figure in the pet's ecosystem with many pet owners relying on vets to treat and care for their pet as well as recommend products.

Many of the products used in treating animals can only be acquired through veterinary clinics. These products include prescription pharmaceuticals, which are prescribed and dispensed by a veterinarian for at home or in office use as well as consumables used in clinic.

The market is comprised of international players such as Merck Canada Inc., Elanco Canada Ltd., Ceva Animal Health Inc., Virbac Canada Inc., Vetoquinol N.A. Inc., Aventix Animal Health and Zoetis Canada Inc. as well as Canadian-focused companies such as Central Sales Ltd. and McCarthy Veterinary Services Inc.

### Animal Health Products

The development and commercialization of pharmaceuticals and nutraceuticals is highly competitive. Many of our competitors are large, well-known global or regional animal health companies which have considerably greater financial, sales, marketing and technical resources than those of Grey Wolf. In addition, many of Grey Wolf's present and potential competitors have research and development capabilities that may allow such competitors to develop new or improved products that may compete with our product lines.

The animal health industry is characterized by continuous product development and technological change. Most products that Grey Wolf would acquire or license under its strategy must compete with products already on the market or products that are later developed by competitors. There is the potential that Grey Wolf's products could be rendered obsolete or uneconomical by the development of new pharmaceuticals or nutraceuticals to treat the conditions addressed by the Grey Wolf's products, as a result of technological advances affecting the cost of production, or as a result of marketing or pricing action by one or more of our competitors.

Within Canada, Grey Wolf competes with both animal health and human health innovative and generic pharmaceutical and consumable companies, companies that license and distribute or manufacture pharmaceuticals and nutraceuticals, and food companies. Within each of Grey Wolf's therapeutic fields, other companies offer competitive products. Grey Wolf competes with animal health companies such as Aventix Animal Health, Central Sales Ltd and regional affiliates of multinationals, such as Vetoquinol N.-A. Inc., Virbac Canada Inc., Dechra Veterinary Products, Inc., and Nestle Purina Petcare. These companies seek to develop distinct specialty niches and from time to time may compete with the Grey Wolf in negotiating Canadian sales and marketing rights to certain products.

### Compounded Products

The retail pharmacy industry is highly competitive and comprised of larger, well-known regional or national corporate pharmacies as well as smaller, independent stores. While retail pharmacies can provide compounding services, they typically only offer simple, non-sterile compounding (e.g., creams).

More specialized compounding such as sterile preparations or capsules tend to be prepared by larger, dedicated compounding pharmacies. In addition, the increased regulatory requirements for compounding has resulted in a shift from smaller or retail-based players to larger, specialized compounding pharmacies. Many of Trutina's present competitors have capabilities that may allow such competitors to formulate or make products that may compete with our product lines.

The pharmaceutical industry is characterized by continuous product development. Most products that Trutina would formulate and/or make compete with products already on the market. There is the potential that Trutina's products could be rendered obsolete or uneconomical by the development of new pharmaceuticals to treat the conditions addressed by Trutina's products either due to technological advances affecting the cost of production, regulatory approval of a new or similar product or the marketing and pricing action by one or more of our competitors.

In Canada, Trutina competes with other compounding pharmacies that formulate and make both animal and human health pharmaceutical and nutraceutical products. Trutina competes with compounding pharmacies, such as Summit Veterinary Pharmacy Ltd., Chiron Compounding Pharmacy Inc., Meds Pharmacy Group, Smith's Pharmacy Ltd., Pure Integrative Pharmacy, Pace Pharmacy and Aurora Compounding Pharmacy. These companies offer services in both human and veterinary compounding to customers across Canada.

## **Development of the Business**

### *Overview*

Grey Wolf was founded by a veterinarian to bring to market products that meet the unmet needs of veterinarians, clinics and pets. Since commencing operations in May 2015, Grey Wolf has grown through new product launches in the veterinary market in Canada augmented by two strategic acquisitions of complementary businesses.

From 2015 to 2018, Grey Wolf built its product portfolio by in-licensing pharmaceutical and nutraceutical products. On January 1, 2019, Grey Wolf completed a strategic acquisition of a full-scale animal health company, VHS. The acquisition of VHS provided Grey Wolf with a nationwide commercial footprint and a portfolio of established products sold in the veterinary channel in Canada.

Since then, Grey Wolf has launched five product portfolios and driven growth in its established and new brands through its integrated sales and marketing approach targeting veterinarians and pet owners across Canada. On September 1, 2021, Grey Wolf completed its second strategic acquisition of a veterinary compounding pharmacy, Trutina. The Trutina Acquisition provided Grey Wolf with an entry into compounding pharmaceuticals and the equine market. Today, Grey Wolf commercializes a broad portfolio of products including pharmaceuticals, nutraceuticals and consumables, to veterinarians and clinics across Canada for the health and wellbeing of companion animals and equines.

## **Three-Year History**

### *Fiscal Year 2019*

On January 1, 2019, Grey Wolf commenced commercial operations via the acquisition of VHS on January 1, 2019. VHS was a privately owned animal health company selling and distributing a portfolio of established products to veterinary clinics across Canada via its full-scale distribution and sales team.

In January 2019, Grey Wolf launched its first product, Hide & Treat. In November 2019, Grey Wolf began commercializing an innovative portfolio of four products (+GI portfolio) for acute gastrointestinal upset with a dedicated national salesforce.

In July 2019, Grey Wolf submitted a low-risk VHP, Activon Tube, for approval for wound care to the VDD of Health Canada.

Between February and July 2019, Grey Wolf completed the final tranche(s) of the 2018 Offering for aggregate gross proceeds of \$419,000.

During 2019, Grey Wolf received VDD approval for two Abbreviated New Drug Submissions, Ataject and Sedaject. In addition, Grey Wolf received approval for two low-risk VHPs during 2019.

*Fiscal Year 2020*

In March 2020, Grey Wolf began commercializing its advanced wound care portfolio of dressings and bandages.

In April 2020, Grey Wolf renewed its sales agent agreement to represent a portfolio of human off-label generic products in the veterinary channel in Canada.

Between June and November 2020, Grey Wolf completed the 2020 Offering for aggregate gross proceeds of \$1,778,605. Of the total gross proceeds, \$500,000 was converted from proceeds of a shareholder loan.

*Fiscal Year 2021*

In February 2021, Grey Wolf launched its first two generic prescription products, Ataject and Sedaject, for anesthetic/analgesia during wound care and surgical procedures. Grey Wolf also launched a custom label program for MPS during the first quarter of 2021, whereby clinics could have their logo embroidered on a medical pet shirt.

On March 12, 2021, Grey Wolf completed the final tranche(s) of the 2020 Offering for aggregate gross proceeds of \$97,500.

In June 2021, Grey Wolf submitted a “not new” drug for approval for euthanasia to VDD. Grey Wolf also submitted a low-risk VHP to VDD for approval for acute and chronic gastrointestinal upset in July 2021. Both products were approved by VDD in August and November 2021, respectively.

On July 19, 2021, Grey Wolf acquired all of the issued and outstanding shares of 2775506 Ontario Inc. (and its wholly owned subsidiary, Phillios), from Dunwin Medical Group Limited for aggregate cash consideration of \$2,300,000.

On August 31, 2021, Grey Wolf completed the 2021 Offering for aggregate gross proceeds of \$13,560,000. In addition, Grey Wolf entered into the CWB Loan. The funds were used to complete the Trutina Acquisition.

On September 1, 2021, Grey Wolf, both directly and through a wholly owned subsidiary, Phillios, acquired all of the issued and outstanding shares of Trutina Pharmacy Inc. (“**Old Trutina**”) and TruBalance for an aggregate purchase price of \$20,192,750 and the issuance of 1,091,500 Grey Wolf Common Shares, issued at \$1.50 per Grey Wolf Common Share (the “**Trutina Acquisition**”). On November 20, 2021, Grey Wolf paid an additional \$461,798 (\$129,863 net of cash on September 1, 2021) related to the net working capital adjustment as outlined in the Trutina Acquisition purchase agreement.

On September 1, 2021, immediately subsequent to the closing of the Trutina Acquisition, Old Trutina changed its name to a numbered company and Phillios then changed its name to “Trutina Pharmacy Inc.” (“**Trutina**”). Old Trutina subsequently distributed all of its assets to Trutina and Old Trutina was voluntarily dissolved.

Trutina is an independent compounding pharmacy specializing in the formulation of innovative compounds primarily for equine health. TruBalance is a sales and marketing company focused on providing medical education to doctors in the field of bioidentical hormone replacement therapy.

*Fiscal Year 2022*

In February 2022, Grey Wolf launched Composure Pro, a Health Canada approved nutraceutical for behaviour. In May 2022, Grey Wolf launched Vetriflex, a Health Canada approved joint supplement and Trutina launched a once-a-week omeprazole injection for the treatment of equine gastric ulcers.

Grey Wolf expects to launch Fibre Boost +GI in the fall of 2022. Fibre Boost +GI is a Health Canada approved fibre supplement for gastrointestinal upset and will complement Grey Wolf's existing +GI product portfolio.

**Significant Acquisitions**

Other than the Trutina Acquisition, Grey Wolf has not completed any significant acquisitions or dispositions within the last two completed fiscal years or current fiscal year.

**Selected Historical Financial and Operational Information**

*Grey Wolf*

The following sets out selected summary financial information from the fiscal year ended December 31, 2021 and for the interim six-month period ended June 30, 2022, which are derived from the Grey Wolf Financial Statements:

<b>Financial information</b>	<b>Six-month period ended June 30, 2022 (\$)</b>	<b>Year ended December 31, 2021 (\$)</b>	<b>Year ended December 31, 2020 (\$)</b>
<b>Statement of Operations and Comprehensive Loss</b>			
Total Revenue	11,298,053	13,095,439	7,681,985
Total Expenses	5,997,858	7,078,559	4,564,514
Net Loss and Comprehensive Loss	(2,109,574)	(968,939)	(896,439)
Net Loss per Share - Basic and Diluted	(0.14) <sup>(1)</sup>	(0.069) <sup>(1)</sup>	(0.066) <sup>(1)</sup>
<b>Balance Sheet Data</b>			
Total Assets	35,555,961	36,233,587	7,179,496
Total Liabilities	33,493,867	32,157,341	4,357,304
Shareholders' Equity	2,062,094	4,076,246	2,822,192

**Note:**

(1) Diluted net loss per share is not required to be reported when basic net loss is negative.

*Trutina*

The following sets out selected summary financial information from the fiscal year ended December 31, 2020 and for the interim eight-month period ended August 31, 2021, being the date of the Trutina Acquisition, which are derived from the Trutina Financial Statements:

<b>Financial information</b>	<b>Eight-month period ended August 31, 2021 (\$)</b>	<b>Year ended December 31, 2020 (\$)</b>
<b>Statement of Income and Comprehensive Income</b>		
Total Revenue	6,757,185	8,533,562
Total Expenses	1,662,311	2,067,488
Net Income and Comprehensive Income	1,210,006	1,504,682
Net Earnings per Share	18,551	15,047
<b>Balance Sheet Data</b>		
Total Assets	4,437,710	5,210,999
Total Liabilities	3,141,758	2,077,803
Shareholders' Equity	1,295,952	3,133,196

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Grey Wolf's MD&A for the two fiscal years ended December 31, 2021 and 2020 and for the interim six-month period ended June 30, 2022 is included in Schedule "G". Trutina's MD&A for the fiscal year ended December 31, 2020 and for the interim eight-month period ended August 31, 2021 is included in Schedule "H". The MD&A should be read in conjunction with the Grey Wolf Financial Statements and Trutina Financial Statements, as applicable, and related annual consolidated financial statements and notes which have been prepared in accordance with IFRS.

### **DESCRIPTION OF THE SECURITIES**

Grey Wolf is authorized to issue an unlimited number of common shares, Class A preferred shares and Series B Preferred Shares without par value. Grey Wolf has a total of 14,662,989 Grey Wolf Common Shares, 340,736 Class A preferred shares and 1,205,000 Series B Preferred Shares outstanding at the date of this Filing Statement.

#### *Common Shares*

Grey Wolf is authorized to issue an unlimited number of common shares.

Each holder of common shares shall be entitled to receive notice of and to attend all meetings of shareholders of Grey Wolf and at all such meetings shall be entitled to one vote in respect of each common share held by such holder.

The holders of common shares shall be entitled to receive dividends if and when declared by the board of directors of Grey Wolf.

In the event of any liquidation, dissolution or winding-up of Grey Wolf or other distribution of the assets of Grey Wolf among its shareholders for the purpose of winding-up its affairs, the holders of common shares shall be entitled, subject to the rights of holders of shares of any class ranking prior to the common shares, to receive the remaining property or assets of Grey Wolf.

#### *Preferred Shares*

Grey Wolf is authorized to issue an unlimited number of preferred shares which may be issued in one or more series. On August 30, 2021, Grey Wolf increased its authorized capital by creating a second series of preferred shares, 1,205,000 of which were issuable and to be designated as Series B Preferred Shares.

### Class A Preferred Shares

Each Preferred Holder is entitled to receive notice of and to attend all meetings of the Grey Wolf Shareholders but shall not be entitled to vote on any matters, except as required pursuant to applicable law.

Unless a Grey Wolf Liquidity Event has occurred, Preferred Holders are entitled to receive an annual dividend equal to 5% of the "**Class A Initial Price**" (being \$1.50 per Class A Preferred Share, subject to adjustment) of the Class A preferred shares held by such holder.

At any time, the Preferred Holder may, in its sole discretion, convert the Class A preferred shares into Grey Wolf Common Shares at the lesser of (i) \$1.50 per Grey Wolf Common Share or (ii) a 25% discount to the price per Grey Wolf Common Share upon the occurrence of a Grey Wolf Liquidity Event. The Class A preferred shares automatically convert into Grey Wolf Common Shares upon the occurrence of a Grey Wolf Liquidity Event.

Upon the acquisition of voting control or direction of two-thirds or more of the Grey Wolf Common Shares (a "**Change of Control**"), Grey Wolf is required to make an offer to purchase, within 30 days of the consummation of the Change of Control, the Class A preferred shares at a price equal to 110% of the Class A Initial Price plus accrued and unpaid dividends.

The Class A preferred shares will be automatically redeemed by Grey Wolf for cash at \$1.50 per Class A Preferred Share (plus any unpaid dividends, if applicable) after five (5) years from the date on which the first Class A preferred shares were issued. The Class A preferred shares are not redeemable before such date.

### Series B Preferred Shares

Each Preferred Holder is entitled to receive notice of and to attend all meetings of the Grey Wolf Shareholders but shall not be entitled to vote on any matters, except as required pursuant to applicable law.

Until the earlier of the Maturity Date or the occurrence of a Grey Wolf Liquidity Event, Preferred Holders are entitled to receive an annual dividend equal to 10.0% of the "**Series B Initial Price**" (being \$2.00 per Series B Preferred Share, subject to adjustment) of the Series B Preferred Shares held by such holder, payable in Grey Wolf Common Shares. Any such dividends may be paid to the exclusion of the holders of shares of any other class of Grey Wolf.

In the event of the liquidation, dissolution or winding up of Grey Wolf, whether voluntary or involuntary, the Preferred Holders shall be entitled to receive an amount per share equal to that amount of money that was received by Grey Wolf as consideration for such preferred share, prior to any amount being paid by Grey Wolf, or any assets of Grey Wolf being distributed to the holders of Grey Wolf Common Shares.

The Series B Preferred Shares automatically convert into Grey Wolf Common Shares at the conversion rate upon the earlier of the Maturity Date and a Grey Wolf Liquidity Event. Conversion is deemed to be effected immediately prior to the closing of a Grey Wolf Liquidity Event or immediately prior to the close of business on the Maturity Date, as applicable.

In the event of a Grey Wolf Liquidity Event, subject to any other escrow requirements which may be imposed by a recognized exchange, (i) the Grey Wolf Common Shares issued in payment of the accrued dividends will be free trading; (ii) the Grey Wolf Common Shares issued on conversion of the principal amount of the preferred shares will be subject to an escrow release schedule whereby such Grey Wolf Common Shares will be released in 25% increments at the end of months 3, 6, 9 and 12.

### Options and Warrants to Purchase Securities of Grey Wolf

Grey Wolf currently has outstanding the following options, warrants and other obligations to issue Grey Wolf Shares:

	Number of Issued Securities / Principal Amount	Expiry Date(s)	Exercise / Conversion price per share
<b>Total Grey Wolf Options<sup>(1)</sup>:</b>	<b>1,383,500</b>		
Grey Wolf Options granted to employees and/or consultants	345,000	April 18, 2027	\$0.88
Grey Wolf Options granted to employees and/or consultants	520,000	December 14, 2028	\$1.30
Grey Wolf Options granted to employees and/or consultants	50,000	April 22, 2029	\$1.30
Grey Wolf Options granted to employees and/or consultants	75,000	October 1, 2030	\$1.50
Grey Wolf Options granted to employees and/or consultants	155,000	November 18, 2030	\$1.50
Grey Wolf Options granted to employees and/or consultants	13,500	November 30, 2030	\$1.50
Grey Wolf Options granted to employees and/or consultants	225,000	December 10, 2031	\$1.50
<b>Total Grey Wolf Warrants:</b>	<b>2,192,800</b>		
2018 Broker Warrants	38,000	December 20, 2022	\$1.50
2018 Warrants	497,800	December 20, 2022	\$2.00
2021 Broker Warrants	452,000	August 31, 2024	\$2.10
2021 Debt Placement Broker Warrants	230,000	August 31, 2024	\$2.10
2021 Warrants	1,695,000	August 31, 2024	\$2.10
<b>Total Grey Wolf Convertible Debentures:</b>	<b>\$4,968,999</b>		
2018 Debentures <sup>(2)</sup>	\$2,489,000	N/A	\$1.50
2020 Debentures <sup>(3)</sup>	\$1,364,999	N/A	\$1.50
2021 Debentures <sup>(4)</sup>	\$11,150,000	N/A	\$1.50

**Notes:**

- (1) Grey Wolf intends to issue 450,000 options immediately prior to or concurrently with the closing of the Proposed Qualifying Transaction.
- (2) For further details, see *Part III - Information Concerning the Target Company - Description of the Business - Financings - 2018 Private Placement Offering of Debenture Units*
- (3) For further details, see *Part III - Information Concerning the Target Company - Description of the Business - Financings - 2020 Private Placement Offering of Debentures and Preferred Shares*
- (4) For further details, see *Part III - Information Concerning the Target Company - Description of the Business - Financings - 2019 Private Placement Offering of Debenture Units and Preferred Share Units*

### CONSOLIDATED CAPITALIZATION

Designation of Security	Number Authorized	Number / Amount outstanding as of September 30, 2021	Number / Amount outstanding as of September 30, 2022	Number / Amount outstanding as of October 30, 2022 prior to giving effect to the Proposed Qualifying Transaction
Grey Wolf Common Shares	Unlimited	14,662,989	14,662,989	14,662,989
Grey Wolf Class A Preferred Shares	Unlimited	340,736	340,736	340,736
Grey Wolf Series B Preferred Shares	Unlimited	1,205,000	1,205,000	1,205,000
Grey Wolf Options	N/A	1,158,500	1,383,500	1,833,500 <sup>(1)</sup>
Grey Wolf Broker Warrants	N/A	720,000	720,000	720,000
Grey Wolf Warrants	N/A	2,192,800	2,192,800	2,192,800
Grey Wolf Convertible Debentures	N/A	\$15,003,999 <sup>(2)</sup>	\$15,003,999 <sup>(2)</sup>	\$15,003,999 <sup>(2)</sup>

**Notes:**

- (1) Grey Wolf intends to issue 450,000 options immediately prior to or concurrently with the closing of the Proposed Qualifying Transaction.
- (2) Represents the principal amount in dollars.

### PRIOR SALES

Within the last 12 months preceding the date of this filing statement, Grey Wolf has only issued securities from treasury, as follows:

Date of Issuance <sup>(1)</sup>	Grey Wolf Shares Issued Pursuant to	# of Securities Issued	Issue Price per security (\$)	Aggregate Funds Received (\$)
August 31, 2021	2021 Debenture Units <sup>(2)(3)</sup>	1,115	\$10,000	\$11,150,000
August 31, 2021	2021 Preferred Share Units <sup>(4)</sup>	1,205,000	\$2.00	\$2,410,000
August 31, 2021	2021 Broker Warrants <sup>(5)(6)</sup>	452,000	\$2.10	n/a
August 31, 2021	2021 Debt Placement Broker Warrants <sup>(7)(8)</sup>	230,000	\$2.10	n/a
September 1, 2021	Grey Wolf Common Shares	1,091,500	\$1.50	\$1,637,230 <sup>(9)</sup>

**Notes:**

- (1) Grey Wolf intends to issue 450,000 options immediately prior to or concurrently with the closing of the Proposed Qualifying Transaction.
- (2) Per the terms of the debenture indenture governing the 2021 Debenture Units, each 2021 Debenture consists of a \$10,000 principal amount unsecured convertible debenture which will accrue interest quarterly, in arrears, at a rate of 10% per annum which will be payable in Grey Wolf Common Shares at the market price on either the Maturity Date or upon Automatic Conversion.
- (3) BBDC, a non-arm's length party, owns \$530,000 principal amount of the 2021 Debentures issued as part of the 2021 Debenture Units.
- (4) Per the terms of the subscription agreement governing the 2021 Preferred Share Units, each Series B Preferred Share consists of a convertible Series B Preferred Share and will accrue dividends quarterly, in arrears, at a rate of 10% per annum which will be payable in Grey Wolf Common Shares at the market price on either the Maturity Date or upon Automatic Conversion.
- (5) Each 2021 Broker Warrant entitles the holder thereof the right to purchase one 2021 Broker Share, at an exercise price of \$2.10 per 2021 Broker Share until August 31, 2024.

- (6) BBSI, a non-arm's length party, owns 154,134 2021 Broker Warrants.  
 (7) Each 2021 Debt Placement Broker Warrant was issued on the same terms as the 2021 Broker Warrants.  
 (8) BBSI, a non-arm's length party, owns 161,000 2021 Debt Placement Broker Warrants.  
 (9) Issued as consideration shares in connection with the Trutina Acquisition, therefore cash was not received.

### Shares issued and reserved

The total number of Grey Wolf Shares currently outstanding, pending issuance, and which are reserved for issuance as at the date of this Filing Statement is as follows:

Grey Wolf Common Shares issued as at the date of this Filing Statement	14,662,989
Class A preferred shares issued as at the date of this Filing Statement	340,736 <sup>(1)</sup>
Series B Preferred Shares issued as of the date of this Filing Statement	1,205,000 <sup>(2)</sup>
<u>Estimated total as of the date of this Filing Statement</u>	<u>16,208,725</u>
Grey Wolf Common Shares reserved for issuance pursuant to <sup>(3)</sup> :	
Grey Wolf Convertible Debentures (principal amount)	10,002,665
2018 Debentures <sup>(4)</sup>	1,659,333
2020 Debentures <sup>(5)</sup>	909,999
2021 Debentures <sup>(6)</sup>	7,433,333
Grey Wolf Convertible Debentures (interest) <sup>(7)</sup>	603,322
2018 Debentures	Nil
2020 Debentures	Nil
2021 Debentures	603,322
Grey Wolf Preferred Shares	401,667
Class A Preferred Shares	Nil
Series B Preferred Shares	401,667 <sup>(2)</sup>
Grey Wolf Preferred Shares (dividends) <sup>(8)</sup>	130,404
Class A Preferred Shares	Nil
Series B Preferred Shares	130,404
Grey Wolf Options	1,383,500 <sup>(9)</sup>
Grey Wolf Broker Warrants	720,000
Grey Wolf Warrants	2,192,800
<u>Fully Diluted total as of the date of this Filing Statement</u>	<u>31,643,083</u>

#### Notes:

- (1) This figure reflects the Grey Wolf Common Shares issuable on conversion of the Class A preferred shares. For further details, see *Part III - Information Concerning the Target Company - Description of Securities*
- (2) These figures together reflect the Grey Wolf Common Shares issuable on conversion of the Series B Preferred Shares. For further details, see *Part III - Information Concerning the Target Company - Description of Securities*
- (3) In connection with the completion of the Proposed Qualifying Transaction, the Grey Wolf Convertible Securities will convert into Grey Wolf Common Shares. These figures assume completion of the Proposed Qualifying Transaction on September 30, 2022. For further details, see *Part III - Information Concerning the Target Company - Description of Securities*
- (4) For further details, see *Part III - Information Concerning the Target Company - Description of the Business - Financings - 2018 Private Placement Offering of Debenture Units*
- (5) For further details, see *Part III - Information Concerning the Target Company - Description of the Business - Financings - 2020 Private Placement Offering of Debentures and Preferred Shares*
- (6) For further details, see *Part III - Information Concerning the Target Company - Description of the Business - Financings - 2019 Private Placement Offering of Debenture Units and Preferred Share Units*
- (7) Interest includes \$140,521 in addition to pro-forma financial statements to reflect additional interest to September 30, 2022.
- (8) Dividends includes \$30,372 in addition to pro-forma financial statements to reflect additional dividends to September 30, 2022.
- (9) Grey Wolf intends to issue 450,000 options immediately prior to or concurrently with the closing of the Proposed Qualifying Transaction.

## EXECUTIVE COMPENSATION

The compensation of Grey Wolf's executives is designed to provide market-competitive compensation to attract and retain executives with the management skills required to execute on Grey Wolf's objectives and to reward executive team members for their contribution to the overall success of Grey Wolf and for achievement of planned business objectives in their own area of responsibility, while also encouraging teamwork and the building of a high performing organization. Grey Wolf put a stock option plan in place to align the longer-term interests of Grey Wolf's executives with the investment objectives of Grey Wolf Shareholders.

For the purposes of the section, the Named Executive Officers are:

- (a) Angela Cechetto, Chief Executive Officer and Secretary;
- (b) Kevin Palmer, Chief Financial Officer;
- (c) Dr. Ian Sandler, Chief Veterinary Medical Officer and Founder; and
- (d) Murray Roach, Chief Commercial Officer

### Compensation Discussion and Analysis

The compensation of Grey Wolf's executives is designed to provide market-competitive compensation to attract and retain executives with the management skills required to execute on Grey Wolf's objectives and to reward executive team members for their contribution to the overall success of Grey Wolf and for achievement of planned business objectives in their own area of responsibility, while also encouraging teamwork and the building of a high performing organization. The compensation of Grey Wolf's executive includes three major elements: (a) base salary; (b) an annual cash bonus; and (c) a stock option plan. Grey Wolf does not currently have any other long-term incentive plan or pension plan in place.

#### Base Salary

Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be based on an assessment of factors such as the executive's performance, a consideration of competitive compensation levels in companies similar to Grey Wolf and a review of the performance of Grey Wolf as a whole and the role such executive played in such corporate performance.

#### Cash Bonus

Grey Wolf may award cash bonuses in order to motivate executives to achieve short-term corporate goals. The success of executives in achieving their individual objectives and their contribution to Grey Wolf in reaching its overall goals are factors in the determination of their cash bonus. To date, cash bonuses have been awarded based on revenue, adjusted EBITDA and strategic targets at the discretion of the Grey Wolf Board.

See "*Cautionary Note Regarding Non-IFRS Financial Measures*".

#### Stock Option Plan

Grey Wolf adopted a stock option plan on December 8, 2016. The purpose of the plan is to provide Grey Wolf with a share-related mechanism to attract, retain and motivate qualified directors, officers, key employees and consultants, to provide an incentive to such individuals to contribute toward the long-term goals of Grey Wolf, and to encourage such individuals to acquire shares of Grey Wolf as long-term investments.

The number of Grey Wolf Common Shares available for purchase pursuant to options granted under the plan will not exceed 10% of the total number of Grey Wolf common shares issued and outstanding on a fully-diluted basis, not including stock options. The plan is administered by either the Grey Wolf Board or by a committee of the Grey Wolf Board. The options granted pursuant to the plan shall expire on the tenth anniversary of the date of grant and 1/3 shall vest on each anniversary of the date of grant, beginning on the first anniversary, unless otherwise specified by the Grey Wolf Board at the time of the grant or upon accelerated termination. The expiry date of any options granted may be accelerated in certain events, such as the retirement, death, disability or termination (with or without cause) of the participant.

Upon Grey Wolf's request, the participant may also be required to enter into an agreement not to sell, contract to sell or otherwise transfer or dispose of any Grey Wolf Common Shares acquired through the exercise of an option, for a period of time following the effective date or a prospectus or registration statement of Grey Wolf. In connection with a liquidation event, as such event is defined in the plan, the Grey Wolf Board has the discretion to deal with any or all options in the manner it deems fair and reasonable in the circumstances of such liquidation event, including but not limited to, the conversion, exchange or cancellation of options.

Grey Wolf began granting stock options from the plan in the year commencing January 1, 2017 and has a total of 1,383,500 options outstanding as at the date of this Filing Statement.

### Compensation and Governance

Grey Wolf currently does not have a compensation and governance committee. To date, compensation has been determined based on Grey Wolf's knowledge of the industry in which it operates and based on the knowledge of recruiters that have been hired to fill certain roles within Grey Wolf's organization. In conjunction with the Proposed Qualifying Transaction or shortly following the closing of the Proposed Qualifying Transaction, Grey Wolf expects to establish a compensation and governance committee and develop a more comprehensive compensation plan for the organization.

See also "*Part IV – Information Concerning the Resulting Issuer – Directors, Officers and Promoters – Committees of the Board of Directors – Other Committees*".

### Summary Compensation Table

The following table sets forth the compensation for the Chief Executive Officer, the Chief Financial Officer and the next most highly compensated executives for the years ended December 31, 2021, and December 31, 2020:

Table of compensation excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Angela Cechetto, CEO and Secretary <sup>(1)</sup>	2021	200,000	80,000	Nil	Nil	Nil	280,000
	2020	200,000	37,500	Nil	Nil	Nil	237,500
Kevin Palmer, CFO <sup>(2)</sup>	2021	180,000	15,750	Nil	Nil	Nil	195,750
	2020	45,000 <sup>(3)</sup>	Nil	Nil	Nil	Nil	45,000

Table of compensation excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Murray Roach, CCO <sup>(4)</sup>	2021	200,000	70,000	Nil	12,000 <sup>(5)</sup>	Nil	282,000
	2020	193,864	40,000	Nil	12,000 <sup>(5)</sup>	Nil	245,864
Dr. Ian Sandler, Director, CVMO & Founder <sup>(6)(7)</sup>	2021	160,000	72,000	Nil	Nil	Nil	232,000
	2020	160,000	10,000	Nil	Nil	Nil	170,000
Robert P. Harris, Director	2021	20,000	Nil	Nil	Nil	Nil	20,000
	2020	20,000	Nil	Nil	Nil	Nil	20,000
Shawn Aspden, Director	2021	Nil	Nil	Nil	Nil	Nil	Nil
	2020	Nil	Nil	Nil	Nil	Nil	Nil
Jolyon Burton, Director	2021	Nil	Nil	Nil	Nil	Nil	Nil
	2020	Nil	Nil	Nil	Nil	Nil	Nil

**Notes:**

- (1) Ms. Cechetto resigned as President and was appointed to CEO on January 1, 2022.
- (2) Kevin Palmer joined Grey Wolf as Vice President Finance on October 8, 2020. Mr. Palmer was appointed to CFO on January 1, 2022.
- (3) Salary payable for three (3) months.
- (4) Mr. Roach was Vice-President of Sales before taking on the role of Vice-President of Sales & Marketing in October 2020. Mr. Roach was promoted to Chief Commercial Officer on January 1, 2022.
- (5) Mr. Roach received a car allowance of \$1,000 per month.
- (6) Dr. Ian Sandler was CEO of Grey Wolf in 2020 and 2021. Dr. Sandler transitioned to Chief Veterinary Medical Officer on January 1, 2022.
- (7) Compensation outlined was paid with respect to Dr. Ian Sandler's position as an officer of Grey Wolf.

**External management companies**

No individuals acting as "Named Executive Officers" of Grey Wolf are acting through external management companies.

**Stock Options and Other Compensation Securities**

The following table sets forth the stock options and other compensation securities held by the Chief Executive Officer, the Chief Financial Officer and the next most highly compensated executives and directors as of December 31, 2021:

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
Angela Cechetto, CEO and Secretary	Options to purchase Grey Wolf Common Shares	75,000 5.4%	April 18, 2017	\$0.88	N/A	N/A	April 18, 2027
		200,000 14.5%	December 14, 2018	\$1.30	N/A	N/A	December 14, 2028
		75,000 5.4%	November 18, 2020	\$1.50	N/A	N/A	November 18, 2030
		75,000 5.4%	December 10, 2021	\$1.50	N/A	N/A	December 10, 2031
Kevin Palmer, CFO	Options to purchase Grey Wolf Common Shares	50,000 3.6%	October 1, 2020	\$1.50	N/A	N/A	October 1, 2030
		50,000 3.6%	December 10, 2021	\$1.50	N/A	N/A	December 10, 2031
Murray Roach, CCO	Options to purchase Grey Wolf Common Shares	50,000 3.6%	April 22, 2019	\$1.30	N/A	N/A	April 22, 2029
		50,000 3.6%	December 10, 2021	\$1.50	N/A	N/A	December 10, 2031
Dr. Ian Sandler, Director, CVMO & Founder	Options to purchase Grey Wolf Common Shares	150,000 10.8%	April 18, 2017	\$0.88	N/A	N/A	April 18, 2027
		140,000 10.1%	December 14, 2018	\$1.30	N/A	N/A	December 14, 2028
		80,000 5.8%	November 18, 2020	\$1.50	N/A	N/A	November 18, 2030
		50,000 3.6%	December 10, 2021	\$1.50	N/A	N/A	December 10, 2031
Robert P. Harris, Director	Options to purchase Grey Wolf Common Shares	120,000 8.7%	April 18, 2017	\$0.88	N/A	N/A	April 18, 2027
		50,000 3.6%	December 14, 2018	\$1.30	N/A	N/A	December 14, 2028

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
		25,000 1.8%	October 1, 2020	\$1.50	N/A	N/A	October 1, 2030
Shawn Aspden, Director <sup>(1)</sup>	Options to purchase Grey Wolf Common Shares	40,000 2.9%	December 14, 2018	\$1.30	N/A	N/A	December 14, 2028
Jolyon Burton, Director <sup>(1)</sup>	Options to purchase Grey Wolf Common Shares	40,000 2.9%	December 14, 2018	\$1.30	N/A	N/A	December 14, 2028

**Note:**

- (1) Individual Director options were issued to BBDC, an entity over which Mr. Burton and Brian Bloom jointly exercise direction and control.

**Incentive Plan Awards – Value Vested or Earned during the Year ended December 31, 2021**

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
(a)	(b)	(c)	(d)
Angela Cechetto, CEO & Secretary	124,166	N/A	96,000
Kevin Palmer, CFO	25,001	N/A	75,600
Dr. Ian Sandler, CVMO & Founder	100,666	N/A	86,400
Murray Roach, CCO	25,001	N/A	84,000

**Pension Plan Benefits**

To date, Grey Wolf has not provided any pension benefits.

**Deferred Compensation Plans**

To date, Grey Wolf has not adopted a deferred compensation plan.

## Employment, Consulting and Management Agreements

Executive employment agreements were entered into by Grey Wolf with Angela Cechetto (Chief Executive Officer and Secretary), Kevin Palmer (Chief Financial Officer), Murray Roach (Chief Commercial Officer) and Dr. Ian Sandler (Chief Veterinary Medical Officer and Founder) on January 1, 2022 (collectively, the “**Executive Agreements**”).

Pursuant to the Executive Agreements, each executive is eligible to receive an annual discretionary bonus with a target bonus payout of up to 35-45% of the base salary, in accordance with the Executive Agreement. The executives are also eligible to receive stock options of Grey Wolf during their employment.

Grey Wolf may terminate the executive’s employment at any time for any reason by providing the executive with the minimum entitlements required under the Ontario *Employment Standards Act, 2000* including, if and as applicable, notice of termination (or pay in lieu of), severance pay, vacation pay accrual and continuation of benefits and benefit plan contributions.

The Executive Agreements contain a termination without just cause provision, whereby, in addition to the statutory entitlements noted above, the executive will receive the following severance package:

- (i) a payment equal to a certain amount of salary, less any pay in lieu of notice and statutory severance pay;
- (ii) a lump sum cash payment equivalent to a certain percentage of the value of the bonus which would have accrued up to the last day of active employment;
- (iii) a cash payment equivalent to the value of the executive’s annual bonus target, as established in the most recent fiscal year;
- (iv) continuation of Grey Wolf’s contributions to employment-related benefits for the lesser of a certain number of months or the date the executive obtains benefits coverage from another employer, subject to approval from Grey Wolf’s benefit providers; and
- (v) any options granted under Grey Wolf’s stock option plan will be governed by the terms and conditions of the plan and the applicable grant agreement.

The executive may resign from their employment by providing Grey Wolf with at least 30 days, but not more than 60 days, written notice of resignation.

The Executive Agreements contain a change of control provision, whereby, if the executive is terminated without just cause or the executive provides Grey Wolf with a notice of termination for good reason within 180 days following the occurrence of a change of control, the executive will receive:

- (i) a payment equal to a certain amount of salary, less any pay in lieu of notice and statutory severance pay, which payment shall increase (less any pay in lieu of notice and statutory severance pay) upon the occurrence of the earlier of: (a) the executive’s 10 years of service with Grey Wolf; or (b) the executive turns 60 years old;
- (ii) a lump sum cash payment equivalent to the value of the bonus which would have accrued up to the last day of active employment;
- (iii) a cash payment equivalent to a certain percentage of the value of the executive’s annual bonus target, as established in the most recent fiscal year;

- (iv) continuation of Grey Wolf's contributions to employment-related benefits for the lesser of a certain number of months (increasing as noted above) or the date the executive obtains benefits coverage from another employer, subject to approval from Grey Wolf's benefit providers; and
- (v) automatic vesting of any options granted to the executive, which shall be exercisable for a period of time following the last day of active employment.

The notice of termination for good reason provided by the executive, if applicable, shall be provided within 30 days of the event giving rise to good reason, and Grey Wolf shall have 90 days from receipt of the notice to cure the event giving rise to good reason, which may extend beyond the change of control period (180 days following the change of control).

A change of control includes (a) a change in the direct or indirect ownership or control or direction over voting securities of Grey Wolf; (b) an amalgamation, arrangement, merger, reorganization or consolidation or other similar event that shifts voting control of Grey Wolf or any successor entity to person(s) other than the person(s) who had voting control immediately prior to the event; or (c) the sale, lease, transfer or other disposition of all or substantially all of Grey Wolf's assets.

### Director Compensation

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Shawn Aspden	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jolyon Burton	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Robert Harris	20,000	Nil	Nil	Nil	Nil	Nil	20,000
Dr. Ian Sandler	Nil	Nil	Nil	Nil	Nil	Nil	Nil

### NON-ARM'S LENGTH TRANSACTIONS

Other than as set forth below or described herein, there have been no transactions, or proposed transactions, within the five years before the date of this Filing Statement, in which any director, officer, promoter or principal securityholder of Grey Wolf or Associates or Affiliates thereof have or have had a material interest.

Grey Wolf subleases its corporate head office in Toronto, Ontario from Bloom Burton pursuant to the terms of a sublease agreement dated January 1, 2021 (the "**Sublease**"). Pursuant to the terms of the Sublease, Grey Wolf subleases Suite 201 - Office 3 located at 65 Front Street East, Toronto, Ontario from Bloom Burton on a month-to-month basis.

In 2021, Grey Wolf paid a total of \$19,314 to Bloom Burton for advisory services, accounting and bookkeeping services and office rent.

In 2021, Grey Wolf paid a transaction cost to BBSI of \$317,096 in relation to the 2021 Offering.

In 2021, Grey Wolf paid a transaction cost to BBSI of \$241,500 in relation to the CWB Loan.

Jolyon Burton, a director of Grey Wolf, and Brian Bloom jointly exercise direction and control over Bloom Burton and BBDC. BBDC holds 2,889,152 Grey Wolf Shares, representing approximately 19.7% of the issued and outstanding Grey Wolf Shares on a non-diluted basis.

Bloom Burton and its affiliates participated in the 2020 Offering and 2021 Offering. Bloom Burton holds \$500,000 principal amount of 2020 Debentures and BBDC holds \$530,000 principal amount of 2021 Debentures. BBSI also holds 161,000 2021 Debt Placement Broker Warrants and 154,134 2021 Broker Warrants.

### **LEGAL PROCEEDINGS**

There are no material legal proceedings involving Grey Wolf as at the date of this Filing Statement and Grey Wolf knows of no such proceedings currently contemplated.

### **MATERIAL CONTRACTS**

The following are the only material contracts, apart from the Amalgamation Agreement with Magen, that have been entered into by Grey Wolf within two years prior to the date hereof, and which are currently in effect and considered to be currently material:

1. Definitive Agreement.
2. RBC Credit Agreement.
3. CWB Loan.

Copies of all relevant agreements are or will be made upon request from DLA Piper (Canada) LLP, counsel to Grey Wolf, at 100 King Street West, Suite 6000, Toronto, ON M5X 1E2.

## PART IV - INFORMATION CONCERNING THE RESULTING ISSUER

### CORPORATE STRUCTURE

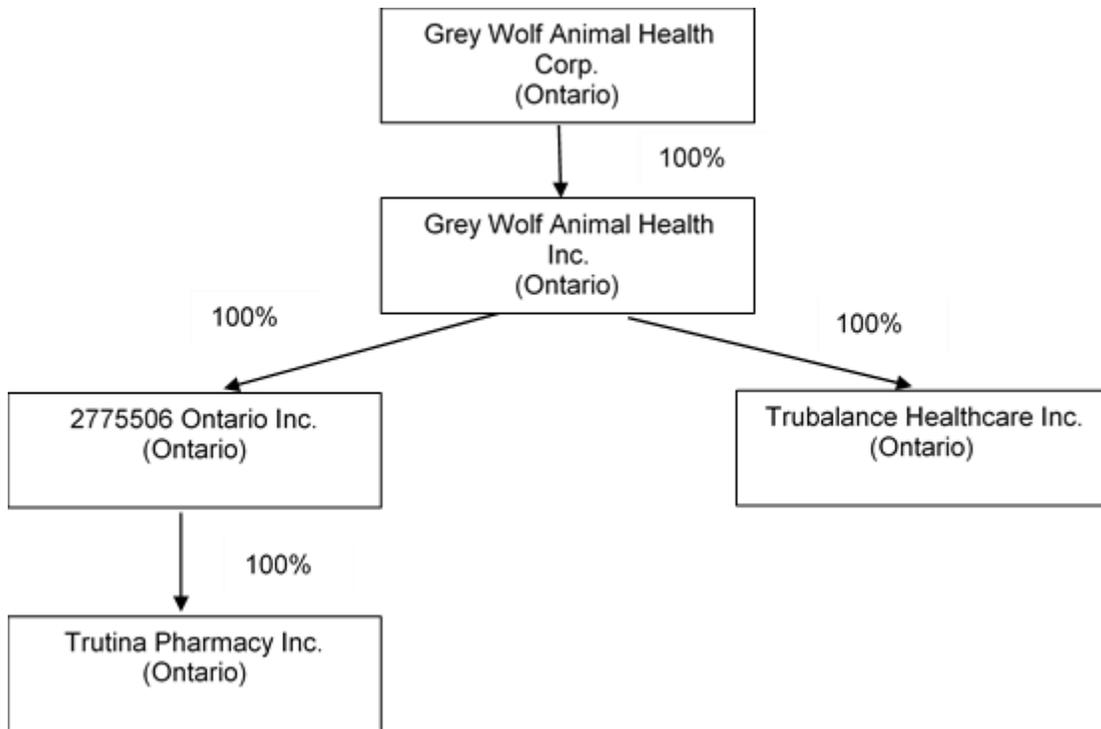
#### Name and Incorporation

The corporate name of the Resulting Issuer is expected to be "Grey Wolf Animal Health Corp.". The Resulting Issuer's head office, registered office and principal address is anticipated to be located at 65 Front Street East, Suite 201, Toronto, Ontario M5E 1B5.

The Resulting Issuer will carry on the business of Grey Wolf and will be a corporation governed by the OBCA.

#### Intercorporate Relationships

The following chart is an illustration of the organizational structure of the Resulting Issuer (all holdings are at 100%).



#### DESCRIPTION OF THE BUSINESS

The Resulting Issuer will have the same stated objective and milestones as Grey Wolf. For the narrative description of the business of the Resulting Issuer, including business and development milestones, see "Part III – Information Concerning the Target Company – General Development of the Business" and "Part III – Information Concerning the Target Company – Narrative Description of the Business".

#### DESCRIPTION OF THE SECURITIES

The authorized share capital of the Resulting Issuer will consist of an unlimited number of Resulting Issuer Shares. For a description of the attributes of the Resulting Issuer Shares, please refer to "Part II – Information Concerning the Issuer – Description of the Securities".

## Stock Option Plan

The Magen Stock Option Plan will remain in place upon completion of the Proposed Qualifying Transaction. Future shareholder approval may be sought for a new stock option plan of the Resulting Issuer in accordance with the policies of the TSXV.

## PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the pro forma share and loan capital of the Resulting Issuer, on a consolidated basis, after giving effect to the Proposed Qualifying Transaction as described in the pro forma financial statements of the Resulting Issuer. See "*Schedule "B" – Pro Forma Financial Statements of the Resulting Issuer*".

Description of Security	Number Authorized	Number Outstanding after giving effect to the Proposed Qualifying Transaction <sup>(1)</sup>
Common shares	Unlimited	30,946,776
Options	N/A	2,193,499 <sup>(2)</sup>
Warrants	N/A	2,192,800
Broker Warrants	N/A	912,000

**Note:**

- (1) Assumes completion of the Proposed Qualifying Transaction on September 30, 2022.
- (2) Figure includes 450,000 options which Grey Wolf intends to issue immediately prior to or concurrently with the closing of the Proposed Qualifying Transaction.
- (3) Pro forma consolidated deficit after giving effect to the Proposed Qualifying Transaction is (\$21,760,178).

## Fully Diluted Share Capital

In addition to the information set out in the capitalization table above, the following table sets out the diluted share capital of the Resulting Issuer after giving effect to the Amalgamation:

Description of Security	Number of Securities Held After Giving Effect to the Proposed Qualifying Transaction	Percentage of Securities Held After Giving Effect to the Proposed Qualifying Transaction
<b>Resulting Issuer Shares:</b>		
Grey Wolf Shares <sup>(1)</sup>	27,346,783	88.4%
Magen Shares	3,599,993	11.6%
<b>Total Resulting Issuer Shares</b>	<b>30,946,776</b>	<b>100%</b>
<b>Convertible Securities:</b>		
Resulting Issuer Shares issuable upon the exercise of Resulting Issuer Options	2,193,499 <sup>(2)</sup>	N/A
Resulting Issuer Shares issuable upon the exercise of Resulting Issuer Warrants	2,192,800	N/A
Resulting Issuer Shares issuable upon the exercise of Resulting Issuer Broker Warrants	912,000	N/A
<b>Total Resulting Issuer Shares Reserved for Issuance</b>	<b>5,298,299</b>	<b>N/A</b>

Description of Security	Number of Securities Held After Giving Effect to the Proposed Qualifying Transaction	Percentage of Securities Held After Giving Effect to the Proposed Qualifying Transaction
<b>Number of Fully Diluted Common Shares</b>	<b>36,245,075</b>	

**Notes:**

- (1) After giving effect to the conversion of the Grey Wolf Convertible Debentures and Grey Wolf Preferred Shares, assuming completion of the Proposed Qualifying Transaction on September 30, 2022, including, for greater certainty, \$2,489,000 principal amount of 2018 Debentures at a conversion price of \$1.50 per Grey Wolf Common Share, \$1,364,999 principal amount of 2020 Debentures at a conversion price of \$1.50 and \$11,150,000 principal amount of 2021 Debentures at a conversion price of \$1.50 per Grey Wolf Common Share.
- (2) Figure includes 450,000 options which Grey Wolf intends to issue immediately prior to or concurrently with the closing of the Proposed Qualifying Transaction.

**AVAILABLE FUNDS AND PRINCIPAL PURPOSES**

**Funds Available**

The following table sets out the estimated funds available to the Resulting Issuer after giving effect to the Proposed Qualifying Transaction as at the dates indicated. The amounts shown in the table are based upon the information available to the Parties as of the date hereof:

<b>Sources</b>	<b>Amount (\$)</b>
Estimated Grey Wolf working capital as at September 30, 2022	4,385,994
Estimated Magen working capital as at September 30, 2022	4,261,471
Estimated costs of the Proposed Qualifying Transaction (e.g. professional fees and Exchange fees)	423,000
<b>Total estimated funds available to the Resulting Issuer upon Completion of the Proposed Qualifying Transaction</b>	<b>8,224,465</b>

**Dividends or Distributions**

The proposed directors of the Resulting Issuer anticipate that the Resulting Issuer will retain all future earnings and other cash resources for the future operation and development of its business, and accordingly, do not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Resulting Issuer Board after taking into account many factors including the Resulting Issuer's operating results, financial condition and current and anticipated cash assets.

**Principal Purposes of Funds**

Following completion of the Proposed Qualifying Transaction, after deducting the estimated expenses of the Proposed Qualifying Transaction, it is estimated that the Resulting Issuer will have available funds of approximately \$8,162,638.

The following table sets out information respecting the Resulting Issuer's intended principal uses of available funds over the next 18 months, after deducting the estimated expenses of the Proposed Qualifying Transaction. Actual uses of funds will vary based upon a number of factors, including operating cash flows during the period and changes in market conditions. The amounts shown in the table are estimates only and are based upon the information available to the Parties as of the date hereof:

<b>Source of Funds</b>	<b>Amount (\$)</b>
Total estimated funds available to the Resulting Issuer upon Completion of the Proposed Qualifying Transaction	8,224,465
Cash inflows from ongoing operations	20,785,680
<b>Total estimated source of funds by the Resulting Issuer</b>	<b>29,010,145</b>
<b>Use of Funds</b>	
Principal and interest payments of CWB Loan	2,173,364
Sales and marketing expenses	6,780,308
General and administrative expenses	5,202,053
Other expenses	2,550,602
Increased working capital requirements	1,100,000
Planned capital expenditures	100,000
Income tax payments	821,111
<b>Total estimated use of funds by the Resulting Issuer</b>	<b>18,727,438</b>
<b>Unallocated working capital</b>	<b>10,282,707</b>

### PRINCIPAL SECURITYHOLDERS

To the knowledge of the directors and officers of the Issuer and Grey Wolf, other than as noted below, it is anticipated that no shareholders will beneficially own, or control or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of the Resulting Issuer upon the completion of the Proposed Qualifying Transaction.

Bloom Burton and its subsidiary, BBDC, will collectively hold 3,604,497 Resulting Issuer Shares, representing 11.6% of the Resulting Issuer Shares. Dr. Ian Sandler, directly or indirectly, will beneficially hold 3,112,797 Resulting Issuer Shares, representing 10.1% of the Resulting Issuer Shares.

### DIRECTORS, OFFICERS AND PROMOTERS

#### Name, Occupation and Security Holdings

Subject to TSXV approval, the proposed directors and executive officers of the Resulting Issuer will be as follows:

<b>Name, Province and Country of Residence</b>	<b>Proposed Position With the Resulting Issuer</b>	<b>Principal Occupation for the Last Five Years</b>	<b>Director or Officer of Grey Wolf or Magen since</b>	<b>Number of Resulting Issuer Shares Held After Giving Effect to the Proposed Qualifying Transaction<sup>(1)</sup></b>	<b>Percentage (by class) of voting securities<sup>(1)</sup></b>
Robert Harris Ontario, Canada	Director	Chair, Miravo Healthcare Inc.	October 6, 2016	232,162	0.8%
Shawn Aspden Ontario, Canada	Director	Director, Bloom Burton; Principal, BBSI	January 25, 2017	873,022	2.8%
Dr. Ian Sandler Ontario, Canada	Chief Veterinary Medical Officer, Founder and Director	Co-Founder of Grey Wolf; Previously, Chief Executive Officer of Grey Wolf	March 31, 2015	3,112,797 <sup>(2)</sup>	10.1%
Jill Angevine Alberta, Canada	Director	President, Brownstone Asset Management	N/A	Nil	N/A

Name, Province and Country of Residence	Proposed Position With the Resulting Issuer	Principal Occupation for the Last Five Years	Director or Officer of Grey Wolf or Magen since	Number of Resulting Issuer Shares Held After Giving Effect to the Proposed Qualifying Transaction <sup>(1)</sup>	Percentage (by class) of voting securities <sup>(1)</sup>
Diane Bourassa Quebec, Canada	Director	Founder, DB55 Consulting; Previously, CEO, Vetoquinol Canada	N/A	Nil	N/A
Angela Cechetto Ontario, Canada	Chief Executive Officer and Secretary	Chief Executive Officer of Grey Wolf; Previously, President of Grey Wolf; Vice President of Business & Corporate Development of Grey Wolf	May 17, 2018	74,500	0.2%
Kevin Palmer Ontario, Canada	Chief Financial Officer	Vice President, Finance of Grey Wolf; Previously, Director, Finance and Operations of Sprout Pharmaceuticals Canada, Ltd.; Accounting & Finance Instructor at Ryerson University	March 17, 2022	Nil	N/A
Bloom Burton & Co. Inc. (BBCI) <sup>(3)</sup>	N/A	Promoter	N/A	3,604,497	11.6%

**Notes:**

- (1) Assumes completion of the Proposed Qualifying Transaction on September 30, 2022.
- (2) 2,760,000 Resulting Issuer Shares will be held by Sandglow, 303,423 Resulting Issuer Shares will be held by the Sandler Trust and 49,374 Resulting Issuer Shares will be held by Dr. Ian Sandler personally. Dr. Ian Sandler exercises direction and control over Sandglow and the Sandler Trust.
- (3) Bloom Burton owns Grey Wolf Shares and Grey Wolf Convertible Securities directly and indirectly through its wholly-owned subsidiaries, BBDC and BBSI. Bloom Burton holds \$500,000 principal amount of 2020 Debentures. BBDC owns 2,889,152 Grey Wolf Shares, \$530,000 principal amount of 2021 Debentures and 80,000 Grey Wolf Options. BBSI also owns 161,000 2021 Debt Placement Broker Warrants and 154,134 2021 Broker Warrants. Jolyon Burton, a director of Grey Wolf, and Brian Bloom jointly exercise direction and control over Bloom Burton.

After giving effect to the Proposed Qualifying Transaction on September 30, 2022, the number of Resulting Issuer Shares beneficially owned, directly or indirectly, or over which control or direction will be exercised, by the proposed directors and executive officers of Resulting Issuer and their associates, will be an aggregate of 7,896,978 Resulting Issuer Shares (approximately 25.5% of the estimated issued and outstanding Resulting Issuer Shares following completion of the Proposed Qualifying Transaction).

The term of office of the directors expires annually at the time of the Resulting Issuer's annual general meeting or when or until their successor is duly appointed or elected. The term of office of the Resulting Issuer's executive officers expires at the discretion of the Resulting Issuer's Directors. A majority of the proposed directors of the Resulting Issuer are considered to be independent within the meaning of National Instrument 58-101 - Disclosure of Corporate Governance Practices ("NI 58-101").

### Promoter Considerations

Bloom Burton may be considered to be a promoter of the Resulting Issuer in that it took the initiative in founding and organizing Grey Wolf. Bloom Burton is expected to own 3,604,497 Resulting Issuer Shares representing 11.6% of the Resulting Issuer Shares issued and outstanding on a non-diluted basis, directly and indirectly through its wholly-owned subsidiary, BBDC. In addition, BBDC will hold 80,000 Resulting Issuer Options and BBSI will hold 315,134 Resulting Issuer Broker Warrants.

See also "*Part III - Information Concerning the Target Company - Non-Arm's Length Transactions*".

### Committees of the Board of Directors

It is intended that the Resulting Issuer Board will form two committees, an Audit Committee and a Compensation and Corporate Governance Committee.

#### *The Audit Committee*

Following the completion of the Proposed Qualifying Transaction, the following individuals will be the members of the Resulting Issuer's audit committee (the "**Audit Committee**"), with Jill Angevine as the Chair.

<b>Name</b>	<b>Independence</b>	<b>Financial Literacy</b>
Jill Angevine	Yes	Yes
Robert Harris	Yes	Yes
Diane Bourassa	Yes	Yes

The Resulting Issuer intends to adopt an Audit Committee charter in accordance with the rules applicable to a venture issuer (attached as Schedule "A" to this Filing Statement).

#### *Other Committees*

Following the completion of the Proposed Qualifying Transaction, the following individuals will be the members of the Resulting Issuer's Compensation and Corporate Governance Committee, with Robert Harris as the Chair.

<b>Name</b>	<b>Independence</b>
Jill Angevine	Yes
Robert Harris	Yes
Diane Bourassa	Yes

The Corporate Governance and Compensation Committee is expected to oversee the Resulting Issuer's approach to corporate governance matters and the remuneration policies and practices of the Resulting Issuer. The principal responsibilities of the Corporate Governance and Compensation Committee are expected to include: (i) monitoring and overseeing the quality and effectiveness of the corporate governance practices and policies of the Resulting Issuer; (ii) adopting and implementing corporate communication policies and ensuring the effectiveness and integrity of communication and reporting to the Resulting Issuer's shareholders and the public generally; (iii) administering the board's relationship with the management of the Resulting Issuer; (iv) considering the Resulting Issuer's overall remuneration strategy and, where information is available, verifying the appropriateness of existing remuneration levels using external sources for comparison; (v) comparing the nature and amount of the Resulting Issuer's directors' and executive officers' compensation to performance against goals set for the year while considering

relevant comparative information, independent expert advice and the financial position of the Resulting Issuer; and (vi) making recommendations to the board in respect of director and executive officer remuneration matters, with the overall objective of ensuring maximum shareholder benefit from the retention of high quality board and executive team members.

### **Biographies of Executive Officers and Directors**

The following are brief résumés of the proposed directors and executive officers of the Resulting Issuer. Each executive officer will be a full-time employee of Amalco.

#### *Angela Cechetto – Chief Executive Officer and Secretary (Age: 47)*

Angela Cechetto is the Chief Executive Officer and Secretary of Grey Wolf. Ms. Cechetto joined Grey Wolf in April 2017 as Vice President of Business & Corporate Development and was appointed President in May 2018. Ms. Cechetto has more than 15 years of experience in the pharmaceutical industry in Canada and in emerging markets such as South Africa and Latin America. Prior to Grey Wolf, Ms. Cechetto was an equity research associate at GMP Securities LP (“GMP”), where she covered Canadian companies in the specialty pharmaceutical, medical device, and cannabis industries. Prior to GMP, Ms. Cechetto held progressive roles on the business development team at Paladin Labs Inc. from 2008- 2015 culminating as Director of Business Development. Ms. Cechetto holds a B.Sc. from McGill University, a M.Sc.E.E. from the University of New Brunswick and an MBA from the Ivey Business School. Ms. Cechetto is a full-time employee of Grey Wolf.

#### *Kevin Palmer – Chief Financial Officer (Age: 54)*

Kevin Palmer is the Chief Financial Officer of Grey Wolf. Mr. Palmer joined Grey Wolf in October 2020 as Vice President of Finance. He has more than 25 years of Canadian, United States and international experience and has spent the past 20 years working in pharmaceuticals, biotech, and medical device organizations such as Sprout Pharmaceuticals, St. Jude Medical and InterMune. Mr. Palmer has led teams in finance, operations, customer service, and human resources in several companies with success in business planning and analysis, effective financial control, strategic focus, system integrations and conversions, statutory and management reporting, treasury, and tax. A graduate of the University of Toronto’s B.Comm. program, Mr. Palmer is a CPA, CA, and recently completed his MBA. Mr. Palmer volunteers with the CPA Canada’s Financial Literacy program, has taught finance courses at the undergraduate and continuing education level, and is on the Board of Directors of two not-for-profit organizations. Mr. Palmer is a full-time employee of Grey Wolf.

#### *Dr. Ian Sandler – Chief Veterinary Medical Officer and Director (Age: 53)*

Dr. Ian Sandler is the co-Founder and Chief Veterinary Medical Officer of Grey Wolf. Dr. Sandler graduated from University of Guelph with a Doctor of Veterinary Medicine in 1994 and began practicing small animal medicine in the United States. He returned to Canada and in 1999, along with three colleagues, founded the Ontario Veterinary Group, which grew to be one of the largest privately-owned veterinary hospital groups in Canada. In 2014, Associate Veterinary Clinics Ltd. acquired the Ontario Veterinary Group. Dr. Sandler is a well-respected animal health expert and is frequently quoted and interviewed. He served on the Animal Health Technologist / Veterinary Technician Accreditation Committee of the CVMA from 2009 to 2016 and now sits on the National Issues Committee of the CVMA. Dr. Sandler has practiced small animal medicine and surgery at the Rosedale Animal Hospital for over 25 years. Dr. Sandler is a full-time employee of Grey Wolf.

#### *Shawn Aspden – Director (Age: 52)*

Shawn Aspden serves as the Chair of the Grey Wolf Board. Mr. Aspden is a director of Bloom Burton and Principal at BBSI, a Toronto-based investment firm focused on companies operating in the healthcare sector. Mr. Aspden has worked alongside healthcare companies for over 25 years in an institutional sales

capacity and has extensive experience in raising capital for both growth and established companies. Prior to joining Bloom Burton and BBSI in 2016, Mr. Aspden served as Vice Chair, Head of North American Institutional Equity Sales at GMP, where he was a member of the firm's Executive Committee and managed a top-ranked institutional sales team. Mr. Aspden began his career at a strategy consulting firm and moved into the investment business as an equity research associate. Mr. Aspden holds the Chartered Financial Analyst designation and is an HBA graduate from the Ivey Business School.

*Robert Harris – Director (Age: 67)*

Mr. Harris has over 35 years of pharmaceutical industry experience in both Canada and the United States in sales, marketing, business development and general management. Mr. Harris has been a director of Grey Wolf since 2016 and is also the Chair of the board at Miravo Healthcare Inc. (TSX: MRV; OTCQX: MRVFF), a Canadian focused healthcare company with global reach and a diversified portfolio of commercial products. Mr. Harris most recently served as President and CEO of Tribute Pharmaceuticals Inc. ("**Tribute**"). Prior to co-founding Tribute, Mr. Harris was the President & CEO of Legacy Pharmaceuticals Inc. Mr. Harris also has previous experience at Biovail Corporation ("**Biovail**") where as Vice President of Business Development he was involved in, led and successfully concluded numerous business development transactions, including the licensing of new chemical entities, the acquisition of mature products, the completion of co-promotion deals, distribution agreements, product development and reformulation transactions. Mr. Harris joined Biovail in 1997 as the GM of Biovail Pharmaceuticals Canada at a time when the company experienced rapid growth in the Canadian division. Prior to Biovail, Mr. Harris worked in various senior commercial management positions during his twenty-year tenure at Wyeth (Ayerst) including its consumer products and animal health groups and has been involved in numerous product launches during his career. Mr. Harris is also a past member of the Board of Directors of Tribute, Aralez Pharmaceuticals Inc. and CannaRoyalty Corp. d/b/a Origin House.

*Jill Angevine - Director (Age: 54)*

Ms. Angevine is a Corporate Director and the President of Brownstone Asset Management. Ms. Angevine has over 25 years of professional experience in the investment management industry including portfolio management, capital markets and equity research. Ms. Angevine serves on the boards of Tourmaline Oil Corp. where she chairs the audit committee and is a member of the corporate governance committee; Advantage Energy Ltd. where she chairs the compensation committee and is a member of the audit and governance committees and ERO Copper Corp. Prior to her work as a Corporate Director, Ms. Angevine was a Portfolio Manager at two asset management companies and prior thereto was Vice President and Director, Institutional Research at FirstEnergy Capital Corp. Ms. Angevine previously served on the board of Chinook Energy Inc. Ms. Angevine holds a Bachelor of Commerce degree from the University of Calgary and has earned the Chartered Public Accountant (CPA, CA), the Chartered Financial Analyst (CFA), and the Institute of Corporate Directors (ICD.D) designations.

*Diane Bourassa - Director (Age: 55)*

Diane Bourassa is a visionary business leader with strategic thinking and extensive operational and financial expertise. Throughout her 30-year career, Ms. Bourassa succeeded in developing highly competitive and performing teams. Determined to share her skills and boundless energy with other companies, she has been focused since January 2022 on strategic consulting, individual coaching, and business development services. Ms. Bourassa worked for 14 years in the Canadian subsidiary of Vetoquinol S.A. (an animal pharmaceutical company, listed on the Paris Stock Exchange and headquartered in France). Her leadership as Chief Executive Officer of Vetoquinol Canada from 2011 to 2021 propelled Vetoquinol into the top 5 animal health pharmaceutical companies in Canada. Ms. Bourassa was a member of the Board of Directors of the Canadian Animal Health Institute for a period of 10 years, where she held various positions, including Chair of the Board of Directors from 2015 to 2016. Ms. Bourassa's professional career has been marked by increasing responsibilities in the retail and food sectors at Costco, Provigo (Loblaws) and Metro Canada Logistics. Ms. Bourassa started her career at Ernst & Young and holds a CPA, CA designation, is a resident of Quebec, and is fluent in both French and English.

Each of Angela Cechetto, Kevin Palmer and Dr. Ian Sandler have entered into Confidential Information, Intellectual Property, Non-Solicitation and Non-Competition Agreements with Grey Wolf in connection with their respective Executive Agreements. Diane Bourassa entered into a Mutual Confidentiality and Restricted Use Agreement with Grey Wolf. Other than as stated above, no proposed director or officer of the Resulting Issuer has entered into a non-competition or non-disclosure agreement with Grey Wolf or the Resulting Issuer.

### **Corporate Cease Trade Orders or Bankruptcies**

Except as noted below, none of the directors, officers, Insiders and promoters of the Resulting Issuer, or a shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, is, or within 10 years before the date of the Filing Statement has been, a director, officer, Insider or promoter of any other issuer that: (a) was the subject of a cease trade order or similar order or an order that denied that issuer access to any exemptions under applicable securities legislation that was in effect for a period of more than 30 consecutive days, and that was issued while such person was acting in such capacity or that was issued after such person ceased to act in such capacity and which resulted from an event that occurred while such person as acting in such capacity; or (b) while such person was acting in such capacity or within a year from such person ceasing to act in such capacity, became bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that issuer.

Mr. Harris was a director of Aralez Pharmaceuticals Inc. until his resignation in August 2018. Aralez Pharmaceuticals Inc. commenced voluntary proceedings under the *Companies' Creditors Arrangement Act* (Canada) in Canada and Chapter 11 of the United States Bankruptcy Code in the U.S. in August 2018.

### **Individual Bankruptcies**

None of the directors, officers, Insiders and promoters of the Resulting Issuer, or a shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has, within the 10 years before the date of the Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

### **Penalties or Sanctions**

None of the directors, officers, Insiders and promoters of Resulting Issuer or a shareholder holding sufficient securities of Resulting Issuer to affect materially the control of Resulting Issuer has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority.

None of the directors, officers, Insiders and promoters of Resulting Issuer or a shareholder holding sufficient securities of Resulting Issuer to affect materially the control of Resulting Issuer has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

### **Interests of Proposed Management and Others in Material Transactions**

Except as otherwise noted herein regarding Grey Wolf (see *Part III – Information Concerning the Target Company – General Description of the Business of Grey Wolf – General Description and History*), none of the proposed directors or executive officers of the Resulting Issuer, or persons companies that beneficially own, or control or direct, directly or indirectly, more than 10% of the outstanding Magen Shares, or any Associate or Affiliate of any of the foregoing, has any material interest, direct or indirect, in any transactions

in which the Issuer has participated within the three years before the date of this Filing Statement, which has materially affected or is reasonably expected to materially affect the Issuer.

### Conflicts of Interest

To the knowledge of the Issuer and Grey Wolf, there are no known existing or potential conflicts of interest between the Resulting Issuer and proposed directors and officers as a result of their outside business interests except that certain of the proposed directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as a director or officer of such other companies.

### Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name of Reporting Issuer	Exchange or Market (Jurisdiction)	Position	From	To
Robert Harris	Nuvo Pharmaceuticals Inc. (d/b/a Miravo Healthcare)	TSX	Chairman	2017	Current
	CannaRoyalty Corp.	CSE	Director	2016	2020
	Aralez Pharmaceuticals Inc.	TSX/NASDAQ	Director	2016	2018
Jill Angevine	ERO Copper Corp.	TSX	Director	2022	Current
	Tourmaline Oil Corp.	TSX	Director	2015	Current
	Advantage Energy Ltd.	TSX	Director	2015	Current
	Chinook Energy Inc.	TSX	Director / Chair	2014	2020
Shawn Aspden	GMP Capital Corp.	TSX	Officer	2012	2016

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

Following completion of the Proposed Qualifying Transaction, it is expected that the executive compensation structure of the Resulting Issuer and the philosophy of the directors of the Resulting Issuer in respect of executive compensation will be substantially similar to that of Grey Wolf. For information on the compensation structure and philosophy of Grey Wolf, please see the discussion under the heading "*Part III - Information Concerning the Target Company – Executive Compensation – Compensation Discussion and Analysis*".

### Summary Compensation Table

Upon completion of the Proposed Qualifying Transaction, it is expected the Resulting Issuer will assume the executive employment agreements of each of the four Named Executive Officers of Grey Wolf. For

further details regarding the terms and conditions of such agreements please see “Part III - Information about the Target Company - Executive Compensation - Employment, Consulting and Management Agreements”. The following table sets forth a proposed compensation plan for the Chief Executive Officer, Chief Financial Officer and Chief Veterinary Medical Officer of Grey Wolf after the completion of the Proposed Qualifying Transaction.

Name and Principal Position	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
				Annual Incentive Plans	Long-Term Incentive Plans			
Angela Cechetto, CEO and Secretary	250,000	N/A	N/A	112,500	N/A	N/A	N/A	362,500
Kevin Palmer, CFO	210,000	N/A	N/A	73,500	N/A	N/A	N/A	283,500
Dr. Ian Sandler, Chief Veterinary Medical Officer	215,000	N/A	N/A	86,000	N/A	N/A	N/A	301,000
Murray Roach, CCO	215,000	N/A	N/A	75,250	N/A	N/A	12,000 <sup>(1)</sup>	302,250

**Note:**

(1) Mr. Roach receives a car allowance of \$1,000 per month.

However, the actual award amounts, if any, will be determined by the Resulting Issuer Board.

**Compensation of Directors**

It is anticipated that the directors of the Resulting Issuer will be paid fees for their services. However, the amounts of such fees will be determined in the discretion of the Resulting Issuer Board following the Closing Date.

It is also expected that the Resulting Issuer will grant stock options to directors in recognition of their service as directors of the Resulting Issuer. The actual timing, amounts, terms (including exercise price and vesting terms) of these future option-based awards will similarly be considered and determined in the discretion of the Resulting Issuer Board following the Closing Date.

**Insurance Coverage for Directors and Officers and Indemnification**

The Resulting Issuer will obtain a directors’ and officers’ liability insurance policy, which will cover corporate indemnification of directors and officers and individual directors and officers of the Resulting Issuer in certain circumstances. In addition, the Resulting Issuer will enter into indemnification agreements with its directors and officers for liabilities and costs in respect of any action or suit against them in connection with the execution of their duties, subject to customary limitations prescribed by applicable law.

**INDEBTEDNESS OF DIRECTORS, OFFICERS AND PROMOTORS**

None of the proposed directors, officers and promoters of the Resulting Issuer nor any of their respective Associates or Affiliates will be indebted to the Resulting Issuer immediately following the Closing Date.

### INVESTOR RELATIONS ARRANGEMENTS

No written or oral agreement or understanding has been reached with any person or company to provide any promotional or investor relations services for Resulting Issuer or its securities, either now or in the future. Any such agreement or understanding that may be entered into following the Closing Date will be at the determination of the Resulting Issuer Board.

### SECURITY BASED COMPENSATION

#### Options to Purchase Securities

Upon the completion of the Proposed Qualifying Transaction, an aggregate of 2,385,499 Resulting Issuer Shares are anticipated to be reserved for issuance pursuant to the following convertible securities:

Class of Optionee	Type of Security	Resulting Issuer Shares Issuable	Exercise Price Per Resulting Issuer Share	Expiration Date
Proposed Officers	Resulting Issuer Options	75,000	\$0.88	April 18, 2027
		200,000	\$1.30	December 14, 2028
		50,000	\$1.50	October 1, 2030
		75,000	\$1.50	November 18, 2030
		125,000	\$1.50	December 10, 2031
		47,500	\$2.00	10 years after date of grant
Proposed Directors (other than officers)	Resulting Issuer Options	270,000	\$0.88	April 18, 2017
		270,000	\$1.30	December 14, 2028
		25,000	\$1.50	October 1, 2030
		80,000	\$1.50	November 18, 2030
		50,000	\$1.50	December 10, 2031
		105,000	\$2.00	10 years after grant date
Former Directors and Officers	Resulting Issuer Options	299,999	\$0.83334	February 22, 2026
		60,000	\$1.6667	June 17, 2026
Other Employees	Resulting Issuer Options	50,000	\$1.30	December 14, 2028
		50,000	\$1.30	April 22, 2029
		50,000	\$1.50	December 10, 2031
		297,500	\$2.00	10 years after date of grant
Consultants	Resulting Issuer Options	13,500	\$1.50	November 30, 2030
Consultants	Resulting Issuer Broker Warrants	192,000	\$1.6667	June 17, 2026
<b>TOTAL</b>		<b>2,385,499</b>		

## ESCROWED SECURITIES

### CPC Escrowed Shares

As at the date of this Filing Statement, all of the Magen Shares issued prior to Magen's initial public offering at a price below \$0.10 per Magen Share, and all of the Magen Shares that may be acquired from treasury by non-arm's length parties of Magen either under the initial public offering or otherwise prior to the date of the Final QT Exchange Bulletin have been or will be deposited with the Escrow Agent pursuant to the CPC Escrow Agreement.

All Magen Options and all Magen Shares issued prior to the date of the Final QT Exchange Bulletin pursuant to the exercise of Magen Options are subject to escrow under the CPC Escrow Agreement. In addition, all Magen Shares issued on or after the date of the Final QT Exchange Bulletin pursuant to the exercise of Magen Options granted prior to Magen's initial public offering with an exercise price that is less than the issue price of Magen's initial public offering are also subject to escrow under the CPC Escrow Agreement.

The following table sets out, on a pre and post-Consolidation basis, as at the date hereof, the number of Magen Shares and Magen Options, held in escrow.

Name and Municipality of Residence of Securityholder	Designation of Class	Before Giving Effect to the Consolidation and the Proposed Qualifying Transaction		After Giving Effect to the Consolidation and the Proposed Qualifying Transaction	
		Number of Securities to be held in Escrow	Percentage of Class	Number of Securities to be held in Escrow <sup>(15)</sup>	Percentage of Class
Jesse Kaplan Toronto, Ontario	Magen Shares	1,500,000	2.5%	90,000	0.29%
	Magen Options	1,500,000	25%	90,000	4.10%
Alan Friedman Toronto, Ontario	Magen Shares	1,500,000	2.5%	90,000	0.29%
	Magen Options	1,500,000	25%	90,000	4.10%
Aaron Unger Toronto, Ontario	Magen Shares	1,500,000	2.5%	90,000	0.29%
	Magen Options	1,500,000	25%	90,000	4.10%
Yisroel Weinreb Toronto, Ontario	Magen Shares	1,500,000	2.5%	90,000	0.29%
	Magen Options	1,500,000	25%	90,000	4.10%
Aiden Holdings Ltd. <sup>(1)</sup> Etobicoke, Ontario	Magen Shares	1,500,000	2.5%	90,000	0.29%
John Wilson Toronto, Ontario	Magen Shares	1,500,000	2.5%	90,000	0.29%
2803311 Ontario Inc. <sup>(2)</sup> Toronto, Ontario	Magen Shares	800,000	1.33%	48,000	0.16%
Phillip Samuel Montreal, Ontario	Magen Shares	400,000	0.67%	24,000	0.08%
2578218 Ontario Ltd. <sup>(3)</sup> Toronto, Ontario	Magen Shares	200,000	0.33%	12,000	0.04%
Simon Akit Toronto, Ontario	Magen Shares	300,000	0.5%	18,000	0.06%
Ethan Spence Toronto, Ontario	Magen Shares	100,000	0.167%	6,000	0.02%
Stephen Delaney Toronto, Ontario	Magen Shares	300,000	0.5%	18,000	0.06%
2601326 Ontario Inc. <sup>(4)</sup> Thornhill, Ontario	Magen Shares	300,000	0.5%	18,000	0.06%

Karl Vandermeer Scarborough, Ontario	Magen Shares	300,000	0.5%	18,000	0.06%
Benjamin Iscoe Toronto, Ontario	Magen Shares	200,000	0.33%	12,000	0.04%
Tower Capital Corp. <sup>(5)</sup> Thornhill, Ontario	Magen Shares	200,000	0.33%	12,000	0.04%
Emmcap Corp. <sup>(6)</sup> Toronto, Ontario	Magen Shares	200,000	0.33%	12,000	0.04%
Tulameen Investments Ltd. <sup>(7)</sup> Delta, British Columbia	Magen Shares	500,000	0.83%	30,000	0.10%
Karen Austin Delta, British Columbia	Magen Shares	500,000	0.83%	30,000	0.10%
Plazacorp Investments Ltd. <sup>(8)</sup> Toronto, Ontario	Magen Shares	500,000	0.83%	30,000	0.10%
Towncorp Asset Management Inc. <sup>(9)</sup> Toronto, Ontario	Magen Shares	200,000	0.33%	12,000	0.04%
Bryan Paul Oakville, Ontario	Magen Shares	500,000	0.83%	30,000	0.10%
Brooke Cumming Vancouver, British Columbia	Magen Shares	500,000	0.83%	30,000	0.10%
Vikram Kapoor 2018 Family Trust <sup>(10)</sup> Mississauga, Ontario	Magen Shares	500,000	0.83%	30,000	0.10%
Michael Sardo <sup>(11)</sup> Mississauga, Ontario	Magen Shares	250,000	0.42%	15,000	0.05%
Peter O'Connell East York, Ontario	Magen Shares	250,000	0.42%	15,000	0.05%
C Sinclair Investments Ltd. <sup>(12)</sup> Etobicoke, Ontario	Magen Shares	300,000	0.5%	18,000	0.06%
Jeff Fox Etobicoke, Ontario	Magen Shares	300,000	0.5%	18,000	0.06%
Harold Frederick Jones Oro-Medonte, Ontario	Magen Shares	600,000	1%	36,000	0.12%
2655137 Ontario Inc. <sup>(13)</sup> Hamilton, Ontario	Magen Shares	500,000	0.83%	30,000	0.10%
Giuseppe Mattina Burlington, Ontario	Magen Shares	1,000,000	1.67%	60,000	0.19%
Jodi Lubinsky North York, Ontario	Magen Shares	500,000	0.83%	30,000	0.10%
2796168 Ontario Inc. <sup>(14)</sup> Toronto, Ontario	Magen Shares	200,000	0.33%	12,000	0.04%
Aleksander Krstajic North York, Ontario	Magen Shares	600,000	1%	36,000	0.12%

**Notes:**

- (1) Aiden Holdings Ltd. is a private company controlled by James Fox.  
(2) 2803311 Ontario Inc. is a private company controlled by Joseph Posen.

- (3) 2578218 Ontario Inc. is a private company controlled by Zachary Goldenberg.
- (4) 2601326 Ontario Inc. is a private company controlled by Nawel Seth.
- (5) Tower Capital Corp. is a private company controlled by Joshua Frankel.
- (6) Emmcap Corp. is a private company controlled by Yaron Conforti.
- (7) Tulameen Investments Ltd. is a private company controlled by Harley Mayers.
- (8) Plazacorp Investments Ltd. is a private company controlled by Anthony Heller.
- (9) Towncorp Asset Management Inc. is a private company controlled by Robert Jacobs.
- (10) Vikram Kapoor 2018 Family Trust is a trust for which Vikramaditya Kapoor is trustee.
- (11) Michael Sardo is Director of Corporate Services of the Agent.
- (12) C Sinclair Investments Ltd. is a private company controlled by Craig Sinclair.
- (13) 2655137 Ontario Inc. is a private company controlled by Domenic Matina.
- (14) 2796168 Ontario Inc. is a private company controlled by Wayne Pommen.
- (15) The number of Magen Shares and Magen Options are set out on a post-Consolidation basis of 16.6667.

Following completion of the Proposed Qualifying Transaction all such Magen Shares and Magen Options will be released from escrow pursuant to the escrow release schedules set out in the CPC Escrow Agreement.

### Resulting Issuer Escrowed Shares

Subject to certain exemptions permitted by the Exchange, all securities of the Resulting Issuer held by principals of the Resulting Issuer (being directors, senior officers, shareholders owning more than 20% of the Resulting Issuer Shares and shareholders owning more than 10% of the Resulting Issuer Shares and having the right to elect or appoint one or more directors or senior officers of the Resulting Issuer or its material subsidiaries) will be subject to escrow (the “**Value Securities**”). The Value Securities will be held in escrow by the Escrow Agent pursuant to the terms of an escrow agreement on Exchange Form 5D (the “**Value Security Escrow Agreement**”).

The following table sets forth the relevant particulars of the securities of the Resulting Issuer which are expected to be held by principals and non-principals of the Resulting Issuer and that will be held in escrow immediately following the Closing Date under the Value Security Escrow Agreement:

Name and Municipality of Residence of Securityholder	Designation of Class	Before Giving Effect to the Proposed Qualifying Transaction		After Giving Effect to the Proposed Qualifying Transaction <sup>(1)</sup>	
		Number of Securities to be held in Escrow	Percentage of Class	Number of Securities to be held in Escrow	Percentage of Class
Dr. Ian Sandler Toronto, Ontario	Grey Wolf Common Shares	3,063,423 <sup>(2)</sup>	20.9%	3,112,797 <sup>(3)</sup>	10.1%
	Grey Wolf Options	420,000	30.4%	442,500	20.2%
	Grey Wolf Warrants	6,250	0.3%	6,250	0.3%
Shawn Aspden Toronto, Ontario	Grey Wolf Common Shares	442,634	3.0%	873,022	2.8%
	Grey Wolf Options	Nil	Nil	20,000	0.9%
	Grey Wolf Warrants	62,500	2.9%	62,500	2.9%
Robert Harris Milton, Ontario	Grey Wolf Common Shares	232,162	1.6%	232,162	0.8%
	Grey Wolf Options	195,000	14.1%	215,000	9.8%
Angela Cechetto Toronto, Ontario	Grey Wolf Common Shares	38,461	0.3%	74,500	0.2%
	Grey Wolf Options	425,000	30.7%	447,500	20.4%
	Grey Wolf Warrants	6,250	0.3%	6,250	0.3%
Kevin Palmer Oakville, Ontario	Grey Wolf Options	100,000	7.2%	120,000	5.5%
Bloom Burton & Co. Inc. (BBCI) <sup>(4)</sup> Toronto, Ontario	Grey Wolf Common Shares	2,889,152	19.7%	3,604,497	11.6%
	Grey Wolf Options	80,000	5.8%	80,000	3.6%
	Grey Wolf Warrants	66,250	3.0%	66,250	3.0%
	Grey Wolf Broker Warrants	315,134	43.8%	315,134	34.6%
Michael Franks	Grey Wolf Common Shares	480,000	3.3%	480,000	1.5%

Name and Municipality of Residence of Securityholder	Designation of Class	Before Giving Effect to the Proposed Qualifying Transaction		After Giving Effect to the Proposed Qualifying Transaction <sup>(1)</sup>	
		Number of Securities to be held in Escrow	Percentage of Class	Number of Securities to be held in Escrow	Percentage of Class
Duntroon, Ontario					
Nicola Luciani Dundas, Ontario	Grey Wolf Common Shares	1,091,500	7.4%	1,091,500	3.5%

**Notes:**

- (1) Assumes completion of the Proposed Qualifying Transaction on September 30, 2022.
- (2) 2,760,000 Grey Wolf Shares are held by Sandglow, 303,423 Grey Wolf Shares are held by the Sandler Trust. Dr. Ian Sandler exercises direction and control over Sandglow. and the Sandler Trust.
- (3) 2,760,000 Resulting Issuer Shares will be held by Sandglow, 303,423 Resulting Issuer Shares will be held by the Sandler Trust and 49,374 Resulting Issuer Shares will be held by Dr. Ian Sandler personally. Dr. Ian Sandler exercises direction and control over Sandglow and the Sandler Trust.
- (4) Bloom Burton owns Grey Wolf Shares and Grey Wolf Convertible Securities directly and indirectly through its wholly-owned subsidiaries, BBDC and BBSI. Bloom Burton holds \$500,000 principal amount of 2020 Debentures. BBDC owns 2,889,152 Grey Wolf Shares, \$530,000 principal amount of 2021 Debentures and 80,000 Grey Wolf Options. BBSI also owns 161,000 2021 Debt Placement Broker Warrants and 154,134 2021 Broker Warrants. Jolyon Burton, a director of Grey Wolf, and Brian Bloom jointly exercise direction and control over Bloom Burton.

Under the terms of the Value Security Escrow Agreement, the Value Securities will be released as follows:

1. 25% are to be released upon the date of issuance of the Final QT Exchange Bulletin with respect to the Proposed Qualifying Transaction;
2. 25% are to be released upon the date that is six (6) months following the issuance of the Final QT Exchange Bulletin;
3. 25% are to be released upon the date that is 12 months following the issuance of the Final QT Exchange Bulletin; and
4. 25% are to be released upon the date that is 18 months following the issuance of the Final QT Exchange Bulletin.

**General**

The Exchange's prior consent must be obtained before a transfer within escrow of escrowed Resulting Issuer Shares. Generally, the Exchange will only permit a transfer within escrow to be made to directors and officers of the Resulting Issuer.

Where securities which are required to be held in escrow are held by a non-individual (a "**holding company**"), each holding company pursuant to the applicable escrow agreement, has agreed, or will agree, not to carry out any transactions during the currency of the escrow agreement which would result in a change of control of the holding company, without the consent of the Exchange. Any holding company must sign an undertaking to the Exchange that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities could reasonably result in a change of control of the holding company. In addition, the Exchange may require an undertaking from any Control Person of the holding company not to transfer the shares of that company.

The escrow agreements described above provide, *inter alia*, that all voting rights attached to escrowed securities shall be exercised by the registered holder of such securities.

Prior to the completion of the Proposed Qualifying Transaction, certain holders of Grey Wolf Common Shares, 2018 Debentures, 2021 Debentures and Series B Preferred Shares were subject to certain restrictions on the resale of their Resulting Issuer Shares (each, a “**Lock Up**”). Such Lock Up will limit the percentage of each such holder’s Resulting Issuer Shares that such holder may sell as set forth in the table immediately below. After giving effect to the conversion of all of the Grey Wolf Convertible Securities, such holders Resulting Issuer Shares remain subject to the Lock Up (the “**Locked-Up Shares**”).

<b>Designation of class</b>	<b>Aggregate number of Locked-Up Shares</b>	<b>Percentage of Locked-Up Shares</b>	<b>Expiry date of Lock-Up</b>
Resulting Issuer Shares	2,844,072	25%	3 months following the Completion of the Qualifying Transaction
Resulting Issuer Shares	2,844,072	50%	6 months following the Completion of the Qualifying Transaction
Resulting Issuer Shares	2,844,072	75%	9 months following the Completion of the Qualifying Transaction
Resulting Issuer Shares	2,844,072	100%	12 months following the Completion of the Qualifying Transaction

**AUDITOR(S), TRANSFER AGENT(S), AND REGISTRAR(S)**

The auditors of the Resulting Issuer are expected to be PricewaterhouseCoopers LLP, located at PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, L6J 0C5.

The registrar and transfer agent of the Resulting Issuer is expected to be TSX Trust Company, located at 301 - 100 Adelaide Street West, Toronto, Ontario, M5H 4H1.

## PART V - GENERAL MATTERS

### SPONSORSHIP AND AGENT RELATIONSHIP

#### Sponsor

Sponsorship of a Qualifying Transaction of a CPC is required by the Exchange unless waived in accordance with the CPC Policy. Grey Wolf and Magen have applied for, and were granted, a waiver from sponsorship requirements in accordance with Exchange policies.

### EXPERTS

#### Interests of Experts

Except as disclosed herein, no person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Filing Statement or as having prepared or certified a report or valuation described or included in this Filing Statement holds more than a 1% beneficial interest, direct or indirect, in any property of the Resulting Issuer or of an Associate or Affiliate of the Resulting Issuer and no such person is expected to be elected, appointed or employed as a Director, senior officer or employee of the Resulting Issuer or of an Associate or Affiliate of the Resulting Issuer and no such person is a promoter of the Resulting Issuer or an Associate or Affiliate of the Issuer or the Resulting Issuer.

MNP LLP are the auditors of Magen and they have advised that they are independent with respect to Magen within the meaning of the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct.

PricewaterhouseCoopers LLP are the auditors of Grey Wolf and they have advised that they are independent with respect to Grey Wolf within the meaning of the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct.

At the date hereof, lawyers with DLA Piper (Canada) LLP, counsel to Grey Wolf, own, directly or indirectly, in the aggregate, less than 1% of the securities of either Magen or Grey Wolf. No lawyer with DLA Piper (Canada) LLP is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any Associate or Affiliate of the Resulting Issuer.

#### Reports and Opinions

In connection with the Proposed Qualifying Transaction, Grey Wolf engaged Kalex Valuations Inc. ("**Kalex**") to prepare the Comprehensive Report Regarding the Fair Market Value of 100% of the Equity of Grey Wolf dated March 17, 2022 (the "**Valuation Report**") in support of Grey Wolf's valuation used to determine the pricing of the Grey Wolf Shares for the Proposed Qualifying Transaction. Kalex, the author of the Valuation Report, is independent to Grey Wolf, Magen and all interested parties in the Proposed Qualifying Transaction. A summary of the Valuation Report is attached hereto as Schedule "I". A copy of the Valuation Report is available for inspection during business hours at the offices of Grey Wolf at 65 Front Street East, Suite 201, Toronto, Ontario M5E 1B5 until the Closing Date and for a period of thirty (30) days thereafter.

In addition, the following professional persons have prepared reports or provided opinions that are either included in or referred to in this Filing Statement:

1. Independent auditor's report from MNP LLP for the audited consolidated financial statements of Magen as at December 31, 2021;

2. Independent auditor's report from PricewaterhouseCoopers LLP for the audited consolidated financial statements of Grey Wolf as at December 31, 2021, December 31, 2020 and January 1, 2020; and
3. Independent auditor's report from PricewaterhouseCoopers LLP for the audited financial statements of Trutina as at August 31, 2021, December 31, 2020 and January 1, 2020.

### **OTHER MATERIAL FACTS**

There are no material facts about the Issuer, the Resulting Issuer and the Proposed Qualifying Transaction that are not disclosed under the preceding items and are necessary in order for the Filing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and the Resulting Issuer, assuming completion of the Proposed Qualifying Transaction.

### **BOARD APPROVAL**

The Magen Board and Grey Wolf Board have approved this Filing Statement.

### **FINANCIAL STATEMENT REQUIREMENTS**

Financial statements for each of Magen, Grey Wolf and Trutina, as well as pro forma financial statements, may be found attached hereto at Schedules "B" through "E", respectively.

### **RISK FACTORS**

The following risk factors assume the completion of the Proposed Qualifying Transaction; however, there can be no assurance that it will be accepted by the TSXV.

The Resulting Issuer's business will face numerous financial and market risks, including those described below, as well as general economic and business risks. The following discussion provides information concerning the material risks and uncertainties that Magen and Grey Wolf have identified and believe may adversely affect the Resulting Issuer's business, financial condition and results of operations.

Before an investor decides whether to invest in the Resulting Issuer's securities, the following risks and uncertainties should be considered; together with all of the other information included in this Filing Statement and in the Issuer's other public filings.

#### **Risks Related to the Proposed Qualifying Transaction**

##### ***There can be no certainty that the Proposed Qualifying Transaction will be completed***

The completion of the Proposed Qualifying Transaction is subject to a number of conditions, certain of which may be outside the control of each of Magen and Grey Wolf. There can be no assurance, nor can Magen or Grey Wolf provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied or that the Proposed Qualifying Transaction will be completed as currently contemplated or at all. The requirement to take certain actions or to agree to certain conditions to satisfy such requirements or obtain any such approvals may have a material adverse effect on the business and affairs of the Resulting Issuer or the trading price of the Resulting Issuer Shares.

If the Proposed Qualifying Transaction is not completed, the market price of the Magen Shares may decline. In addition, Magen and Grey Wolf will each remain liable for significant consulting, accounting and legal costs relating to the Proposed Qualifying Transaction and will not realize anticipated benefits of the Proposed Qualifying Transaction. If the Proposed Qualifying Transaction is not completed and the Magen Board decides to seek another merger or business combination, there can be no assurance that it will be

able to find a party that will agree to equivalent or more attractive terms than those of the Definitive Agreement.

There is currently no market through which the Grey Wolf Shares may be sold and there is no assurance that the Grey Wolf Shares will be admitted to a listing or qualified for distribution in Canada or any other jurisdiction in the event that the Proposed Qualifying Transaction is not completed.

#### ***Possible Termination of the Definitive Agreement***

Each of Magen and Grey Wolf has the right to terminate the Definitive Agreement in certain circumstances. Accordingly, there is no certainty, nor can the Parties provide any assurance, that the Definitive Agreement will not be terminated by one of Magen or Grey Wolf before the Closing Date.

Certain costs related to the Proposed Qualifying Transaction, such as legal, accounting and certain financial advisor fees must be paid by Magen and Grey Wolf even if the Proposed Qualifying Transaction is not completed.

#### ***The Proposed Qualifying Transaction May Divert the Attention of Magen's and Grey Wolf's Management***

The pendency of the Proposed Qualifying Transaction could cause the attention of Magen's and Grey Wolf's management to be diverted from their respective day-to-day operations. These disruptions could be exacerbated by a delay in the completion of the Proposed Qualifying Transaction and could have an adverse effect on the business, operating results or prospects of Magen and Grey Wolf regardless of whether the Proposed Qualifying Transaction is ultimately completed, or of the Resulting Issuer if the Proposed Qualifying Transaction is completed.

#### ***While the Proposed Qualifying Transaction is Pending, Magen and Grey Wolf are Restricted from Taking Certain Actions***

The Definitive Agreement restricts Magen and Grey Wolf from taking specified actions until the Proposed Qualifying Transaction is completed without the consent of the other party which may adversely affect the ability of each to execute certain business strategies, including, but not limited to, the ability in certain cases to enter into or amend contracts, acquire or dispose of assets, incur indebtedness or incur capital expenditures. These restrictions may prevent Magen and Grey Wolf from pursuing attractive business opportunities that may arise prior to the Closing Date.

### **Risks Related to the Business of the Resulting Issuer**

#### ***Limited Business History***

Grey Wolf has a limited history of operations and earnings. The likelihood of success of Grey Wolf must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business in the pharmaceutical market. To continue to properly operate its business, Grey Wolf will need to continue to develop operational, financial and management information systems, and employ many key individuals in management and administrative roles. There can be no assurance that Grey Wolf will be able to generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its current business plans.

#### ***Formulation and Marketing Capability***

The Resulting Issuer has certain in-house formulation and marketing capability. To be successful, a product must be packaged in commercial quantities in compliance with regulatory requirements and in reasonable time frames and at accepted costs. No assurance can be given that the Resulting Issuer or its suppliers will

be able to meet the supply requirements of the Resulting Issuer in respect of the product development or commercial sales.

To be successful, an approved product must also be successfully marketed. There can be no assurance that the Resulting Issuer can market a product in a manner that would assure its acceptance in the market place.

### ***Leases***

As at the date hereof, Grey Wolf has entered into lease agreements for premises where its business operations are conducted. There can be no guarantee that such lease agreements will be renewed or that the Resulting Issuer will be able to negotiate future lease agreements on commercially reasonable terms. Any significant interruption or negative change in the premises could have a materially adverse impact on the Resulting Issuer's business, financial condition and operating results.

### ***Raw Materials and Product Supply***

Raw materials and supplies are generally available in quantities to meet the needs of the Resulting Issuer's business. The Resulting Issuer will be dependent on third-party manufacturers for certain products that it markets. An inability to obtain raw materials or product supply in a timely manner could have a material adverse impact on the Resulting Issuer business, financial condition and results of operations.

### ***Distribution and Supply Chain Interruptions***

The Resulting Issuer's business is dependent on a number of key inputs and their related costs including finished goods and raw materials. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the financial condition and operating results of the Resulting Issuer's suppliers. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Resulting Issuer's suppliers, in which circumstance there could be a materially adverse effect on the financial results of the Resulting Issuer.

### ***Reliance on Third Parties for Supply and Manufacture of Products***

Third parties manufacture certain of Grey Wolf's current products and will likely manufacture certain of Grey Wolf's future products. Except for any contractual rights and remedies which Grey Wolf may have with its licensors, Grey Wolf relies on the availability of its products, their quality and cost from third-party manufacturers. If for any reason, Grey Wolf's partners are unable to obtain or retain third-party manufacturers on commercially acceptable terms, or if the third-party manufacturers cannot consistently manufacture product to the product specifications, Grey Wolf may not be able to distribute its products as planned. If Grey Wolf encounters delays or difficulties with contract licensors and/or raw material suppliers in producing or packaging its products, the distribution, marketing and subsequent sales of these products would be adversely affected, and Grey Wolf may have to seek alternative sources of supply, if available, or abandon or sell product lines on unsatisfactory terms. Grey Wolf may not be able to enter into alternative supply arrangements on commercially acceptable rates, if at all. There can be no assurance that the manufacturers that Grey Wolf will have engaged will be able to provide sufficient quantities of these products or that the products supplied will meet with Grey Wolf's specifications. In addition, production of Grey Wolf's future products may require raw materials for which the sources and quantities are limited. An inability to obtain adequate supplies of raw materials could significantly delay the development, regulatory approval and marketing of Grey Wolf's existing and future products.

Drug manufacturers are subject to ongoing periodic unannounced inspection by Health Canada, the FDA, and corresponding state and foreign agencies, including European agencies and their designees, to ensure strict compliance with Good Manufacturing Practices and other government regulations. Grey Wolf does not have complete control over its third-party manufacturers' compliance with these regulations and

standards. Failure by either Grey Wolf's third-party manufacturers or by Grey Wolf to comply with applicable regulations could result in supply disruptions, unsaleable product, sanctions being imposed, including fines, injunctions, civil penalties, failure of the government to grant review of submissions or market approval of drugs, delays, suspension or withdrawal of approvals, product seizures or recalls, operating restrictions, facility closures and criminal prosecutions, any of which could negatively impact the business.

### ***Government Regulations and Changes in Regulatory Environment***

The Resulting Issuer and its target customers may be subject to various laws, regulations, regulatory actions and court decisions that may have negative effects on the Resulting Issuer. Changes in the regulatory environment, delisting of services, and licensing requirements imposed upon the Resulting Issuer or its target customers, or their interpretation and application, could adversely affect the ability of the Resulting Issuer to attain its corporate objectives.

Non-compliance with any existing or proposed laws or regulations could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Resulting Issuer. In addition, the Resulting Issuer could incur significant costs in the course of complying with any changes in the regulatory regime.

Any delays or interruptions in timely inspections by government regulatory bodies could also adversely affect the reputation, operations or financial performance of the Resulting Issuer.

### ***Licences and Permits***

The operations of the Resulting Issuer will require licences and permits from various government or regulatory authorities. The Resulting Issuer currently has all permits and licences that it believes are necessary to carry on its current business operation.

The Resulting Issuer may be required to obtain or renew further government or regulatory permits and licences for its operations. Obtaining, amending or renewing the necessary governmental permits and licences can be a time-consuming process, potentially involving numerous regulatory agencies, and involving public hearings and costly undertakings on the Resulting Issuer's part. The duration and success of the Resulting Issuer's efforts to obtain, amend and renew permits and licences are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Resulting Issuer may not be able to obtain, amend or renew permits or licences that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Resulting Issuer. To the extent necessary permits or licences are not obtained, amended or renewed, or are subsequently suspended or revoked, the Resulting Issuer may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

The Resulting Issuer may be dependent on, or may have to attest to, its suppliers' licences, or ability to obtain additional licences, which are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of these licences or any failure to obtain or maintain such licences could have a material adverse impact on the business, financial condition and operating results of the Resulting Issuer.

The ability of the Resulting Issuer to obtain all permits and licences required to carry out its business objectives as intended is uncertain. If the Resulting Issuer is unable to achieve its business objectives, such failure could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

### ***Ability to Obtain Regulatory Approvals***

The importation and sale of pharmaceutical products in Canada is highly regulated, which significantly increases the difficulty and costs involved in obtaining and maintaining regulatory approval for marketing new and existing products.

The regulatory approval process procedure can be long and may involve significant delays despite Grey Wolf's best efforts. Moreover, Health Canada, VDD and the Ontario College of Pharmacists regulations are rigorous, time consuming and costly, and Grey Wolf cannot predict the extent to which it may be affected by changes in regulatory developments and its ability to meet such regulations. There is also a risk that Grey Wolf's current or future products may be withdrawn from the market and the required approvals suspended because of non-compliance with regulatory requirements. There can be no assurance that the regulators will not require modification to any other submissions which may result in delays or failure to obtain regulatory approvals. Any delay or failure to obtain regulatory approvals could adversely affect the ability of Grey Wolf to market new products, thereby adversely affecting operations. Further, there can be no assurance that Grey Wolf's future products will prove to be safe and effective in clinical trials, or receive the requisite regulatory approvals.

### ***Business Concentration by Region***

Grey Wolf currently earns its revenue from Canada, with approximately half being the province of Ontario. If economic, regulatory, legislative or other factors affecting Grey Wolf's business were to adversely change in Canada or the province of Ontario, then the anticipated revenues of Grey Wolf would be negatively impacted.

### ***The Requirements of Being a Public Resulting Issuer May Strain the Resulting Issuer's Resources***

In the event the Proposed Qualifying Transaction is completed, the Resulting Issuer will continue Grey Wolf's current business activities. As a reporting issuer, the Resulting Issuer, and its business activities, will be subject to the reporting requirements of applicable securities legislation of the jurisdiction in which it is a reporting issuer, the listing requirements of the exchange on which it would be listed and other applicable securities rules and regulations. Compliance with those rules and regulations will increase the Resulting Issuer's legal and financial costs as compared to Grey Wolf's current activities making some activities more difficult, time consuming or costly and increase demand on its systems and resources.

### ***Competition***

The industry in which Grey Wolf operates is highly competitive, is evolving and is characterized by technological change, new products and product improvements. There is potential that the Resulting Issuer will face intense competition from current or future companies, some of which can be expected to have longer operating histories, larger customer bases, greater brand recognition, more extensive commercial relationships and greater financial, technical, marketing and other resources. As a result, the Resulting Issuer's competitors may be able to develop products and services better received by customers or may be able to respond more quickly and effectively than the Resulting Issuer can to new or changing opportunities, technologies, regulations or customer requirements. In addition, larger competitors may be able to leverage a larger installed customer base and distribution network to adopt more aggressive pricing policies and offer more attractive sales terms, which could cause the Resulting Issuer to lose potential sales or to sell its products at lower prices.

Competition may intensify as the Resulting Issuer's competitors enter into business combinations or alliances or raise additional capital, or as established companies in other market segments or geographic markets expand into the Resulting Issuer's market segments or geographic markets. The Resulting Issuer also expects to face additional competition from new entrants. To remain competitive, the Resulting Issuer will require a continued high level of investment in business development, marketing, sales and customer

support. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

The Resulting Issuer's success will be dependent on its ability to market its products and services. There is no guarantee that the Resulting Issuer's products and services will remain competitive. Unforeseen competition, and the inability of the Resulting Issuer to effectively develop and expand the market for its products and services, could have a significant adverse effect on the growth potential of the Resulting Issuer. The Resulting Issuer cannot assure that it will be able to compete effectively against existing and future competitors. In addition, competition or other competitive pressures may result in price reductions, reduced margins or loss of market share, any of which could have a material adverse effect on the Resulting Issuer's business, financial condition or results of operations.

### ***Changes in Technology***

Changes in available technology that render new products improved or superior to existing Grey Wolf products, and the effects of such changes, including product substitutions and deployment costs, could affect the Resulting Issuer's business and the Resulting Issuer's financial results could be materially adversely affected. Any new product or service the Resulting Issuer develops or acquires might not be introduced in a timely or cost-effective manner and might not achieve the broad market acceptance necessary to generate significant revenue. If any of the Resulting Issuer's competitors implements new technologies or improved products before the Resulting Issuer is able to implement them, those competitors may be able to provide more effective products or services than the Resulting Issuer at lower prices. Any delay or failure in the introduction of new or enhanced products could harm the Resulting Issuer's business, results of operations and financial condition.

There is no guarantee that the Resulting Issuer will be able to respond to market demands. If the Resulting Issuer is unable to effectively respond to technological changes, or fails or delays to develop products in a timely and cost-effective manner, its products and services may become obsolete, and the Resulting Issuer may be unable to recover its research and development expenses which could negatively impact sales, profitability and the continued viability of its business.

### ***Reliance of Strategic Partnerships***

As at the date hereof, Grey Wolf has entered into many contracts for the provision of its products and there can be no guarantee that such contracts will be entered into or that Grey Wolf will be able to negotiate future contracts on commercially reasonable terms. The ongoing capacity of the Resulting Issuer will be contingent upon its ability to enter into contracts for its products and services on terms that are beneficial to the Resulting Issuer.

Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. The Resulting Issuer's competitors may be effective in providing incentives to third parties to favour their products over the Resulting Issuer's. In addition, acquisitions of the Resulting Issuer's partners by its competitors could result in a decrease in the number of its current and potential customers, as its partners may no longer facilitate the adoption of its applications by potential customers. If the Resulting Issuer is unsuccessful in establishing and maintaining its relationships with third parties, or if these third parties are unable or unwilling to provide services to the Resulting Issuer, the Resulting Issuer's ability to compete in the marketplace or to generate revenue could be impaired, and its results of operations may suffer. Even if the Resulting Issuer is successful, it cannot be sure that these relationships will result in increased customer usage of its services or increased revenue.

### ***Dependence on Key Management Personnel***

The success of the Resulting Issuer is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management as well as certain consultants (the "**Key Personnel**"). The Resulting Issuer's future success depends on its continuing ability to attract, develop, motivate, and retain the Key Personnel.

Qualified individuals for Key Personnel positions are in high demand, and the Resulting Issuer may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Resulting Issuer's ability to execute on its business plan and strategy, and the Resulting Issuer may be unable to find adequate replacements on a timely basis, or at all. While employment and consulting agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such individuals and consultants.

### ***Conflicts of Interest***

The Resulting Issuer may be subject to various potential conflicts of interest because of the fact that some of its officers, directors and consultants may be engaged in a range of business activities. The Resulting Issuer's executive officers, directors and consultants may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Resulting Issuer. In some cases, the Resulting Issuer's executive officers, directors and consultants may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Resulting Issuer's business and affairs and that could adversely affect the Resulting Issuer's operations. These business interests could require significant time and attention of the Resulting Issuer's executive officers, directors and consultants.

In addition, the Resulting Issuer may also become involved in other transactions which conflict with the interests of its directors, officers and consultants who may from time to time deal with persons, firms, institutions or corporations with which the Resulting Issuer may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Resulting Issuer. In addition, from time to time, these persons may be competing with the Resulting Issuer for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Resulting Issuer's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Resulting Issuer are required to act honestly, in good faith and in the best interests of the Resulting Issuer.

### ***Pandemics***

The Resulting Issuer's business could be significantly adversely affected by the effects of a widespread global outbreak of contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The Resulting Issuer cannot accurately predict the impact COVID-19 will have on the Resulting Issuer's business. Risks posed by COVID-19 include uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. A resurgence of COVID-19 or a significant outbreak of another contagious diseases in the human population could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for the Resulting Issuer's products and services and likely impact operating results.

### ***Fraudulent or Illegal Activity by Employees, Contractors and Consultants***

The Resulting Issuer may be exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Resulting Issuer that violates: (a) government regulations; (b) quality standards; (c) federal and provincial healthcare fraud and abuse laws and regulations; or (d) laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for the Resulting Issuer to identify and deter such misconduct by its employees and other third parties, and the precautions taken by the Resulting Issuer to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Resulting Issuer from governmental investigations or other actions or lawsuits stemming

from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Resulting Issuer, and it is not successful in defending itself or asserting its rights, such actions could have a significant impact on the Resulting Issuer's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of Resulting Issuer's operations, any of which could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

### ***Internal Controls***

Effective internal controls are necessary for the Resulting Issuer to provide reliable financial reports and to help prevent fraud. Although the Resulting Issuer will undertake a number of procedures and will implement a number of safeguards in order to help ensure the reliability of its financial reports, including those imposed on the Resulting Issuer under applicable law, in each case the Resulting Issuer cannot be certain that such measures will ensure that the Resulting Issuer maintains adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Resulting Issuer's results of operations or cause it to fail to meet its reporting obligations. If the Resulting Issuer or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Resulting Issuer's consolidated financial statements and could result in a material adverse effect.

### ***General Economic Risks***

The Resulting Issuer's operations and market conditions could be affected by the economic context should interest rates, inflation or the unemployment level reach levels that influence consumer trends and spending and, consequently, impact the Resulting Issuer's sales and profitability.

### ***Liquidity and Additional Financing***

There is no guarantee that the Resulting Issuer will be able to achieve its business objectives. The continued development of the Resulting Issuer may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Resulting Issuer going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Resulting Issuer. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Resulting Issuer may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Resulting Issuer's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Resulting Issuer to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Resulting Issuer may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Resulting Issuer's ability to pursue its business objectives.

### ***Implementation of Growth Strategy***

The Resulting Issuer's future growth, profitability and cash flows depend upon its ability to successfully implement its growth strategy, which, in turn, is dependent upon a number of factors, including the Resulting Issuer's ability to:

1. expand its customer base and increase our business with existing customers;
2. continue to license and/or develop new products for existing markets;

3. attract and keep key personnel; and
4. successfully pursue future acquisitions and investments to secure rights to new products or services.

There can be no assurance that the Resulting Issuer can successfully achieve any or all of the above initiatives in the manner or time period that the Resulting Issuer expects. Further, achieving these objectives will require investments which may result in short-term costs without generating any current revenue and therefore may be dilutive to the Resulting Issuer's earnings. The Resulting Issuer cannot provide any assurance that it will realize, in full or in part, the anticipated benefits it expects its strategy will achieve. The failure to realize those benefits could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

### ***Management of Growth***

The Resulting Issuer may be subject to growth-related risks. The ability of the Resulting Issuer to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Resulting Issuer to deal with this growth may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and growth prospects.

### ***Failure to Maintain, Promote and Enhance Brand***

The Resulting Issuer believes that maintaining, promoting and enhancing the Grey Wolf brand is critical to expanding the Resulting Issuer's business. Maintaining and enhancing the Resulting Issuer's brand will depend largely on the Resulting Issuer's ability to continue to provide high-quality, well-designed, useful, reliable and innovative products, which the Resulting Issuer may not do successfully.

The Resulting Issuer believes that the importance of brand recognition will increase as competition in the Resulting Issuer's market increases. In addition to the Resulting Issuer's ability to provide reliable and useful products at competitive prices, successful promotion of the Resulting Issuer's brand will depend on the effectiveness of the Resulting Issuer's marketing efforts. The Resulting Issuer's efforts to market its brand will involve significant expenses. The Resulting Issuer's marketing spend may not yield increased revenue, and even if it does, any increased revenue may not offset the expenses the Resulting Issuer incurs in building and maintaining the Resulting Issuer's brand.

### ***Anti-Money Laundering Laws and Regulation Risks***

The Resulting Issuer is subject to a variety of laws and regulations domestically and internationally that involve money laundering, financial recordkeeping and proceeds of crime, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by government authorities internationally.

In the event that any of the Resulting Issuer's proceeds, any dividends or distributions therefrom, or any profits or revenues accruing from operations were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Resulting Issuer to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

### ***Unknown Defects and Impairments***

A defect in any business arrangement, or latent defect in products, may arise to defeat or impair the claim of the Resulting Issuer to such transaction, which may have a material adverse effect on the Resulting

Issuer. It is possible that material changes could occur that may adversely affect management's estimate of the recoverable amount for any agreement the Resulting Issuer enters into. Impairment estimates, based on applicable key assumptions and sensitivity analysis, will be based on management's best knowledge of the amounts, events or actions at such time, and the actual future outcomes may differ from any estimates that are provided by the Resulting Issuer. Any impairment charges on the Resulting Issuer's carrying value of business arrangements could have a material adverse effect on the Resulting Issuer.

### ***Challenging Global Financial Conditions***

Global financial conditions have been characterized by increased volatility. Global financial conditions could suddenly and rapidly destabilize in response to future events, as government authorities may have limited resources to respond to future crises. Global capital markets have continued to display increased volatility in response to global events. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the ability of the Resulting Issuer, or the ability of the operators of the companies in which the Resulting Issuer will hold interests, to obtain equity or debt financing or make other suitable arrangements to finance their projects. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on the Resulting Issuer and the price of the Resulting Issuer's securities could be adversely affected.

### ***Litigation***

The Resulting Issuer may from time to time be involved in various claims, legal proceedings and disputes arising in the ordinary course of business. If the Resulting Issuer is unable to resolve these disputes favourably, it may have a material adverse effect on the Resulting Issuer. Even if the Resulting Issuer is involved in litigation and wins, litigation can redirect significant Resulting Issuer resources. Litigation may also create a negative perception of the Resulting Issuer. Securities litigation could result in substantial costs and damages and divert the Resulting Issuer's management's attention and resources. Any decision resulting from any such litigation that is adverse to the Resulting Issuer could have a negative impact on the Resulting Issuer's financial position.

### ***Cybersecurity Risks***

The information systems of the Resulting Issuer and any third-party service providers and vendors, are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, ransomware infections, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the respective organizations. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapid evolving nature of the threats, targets and consequences. Additionally, unauthorized parties may attempt to gain access to these systems through fraud or other means of deceiving third-party service providers, employees or vendors. The operations of the Resulting Issuer depend, in part, on how well networks, equipment, information technology ("IT") systems and software are protected against damage from a number of threats. These operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. However, if the Resulting Issuer is unable or delayed in maintaining, upgrading or replacing IT systems and software, the risk of a cybersecurity incident could materially increase. Any of these and other events could result in information system failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the reputation and results of operations of the Resulting Issuer.

### ***Privacy and Security of Sensitive & Important Information***

The Resulting Issuer's operations are dependent on the Resulting Issuer's information systems and the information collected, processed, stored, and handled by these systems. The Resulting Issuer relies heavily

on its computer systems to manage its ordering, pricing, fulfillment, inventory replenishment and other processes. Throughout the Resulting Issuer's operations, the Resulting Issuer receives, retains and transmits certain confidential information, including personally identifiable information that the Resulting Issuer's customers provide to purchase products or services, interact with the Resulting Issuer's personnel, or otherwise communicate with the Resulting Issuer. In addition, for these operations, the Resulting Issuer depends in part on the secure transmission of confidential information over public networks. The Resulting Issuer's information systems are subject to damage or interruption from power outages, facility damage, computer and telecommunications failures, computer viruses, security breaches, including credit card or personally identifiable information breaches, coordinated cyber attacks, vandalism, catastrophic events and human error. Although the Resulting Issuer has taken steps to address information security threats and vulnerabilities, including ones from a cyber security standpoint, designed to protect confidential information against data security breaches, a compromise of the Resulting Issuer's information security controls or of those businesses with whom the Resulting Issuer interacts, which results in confidential information being accessed, obtained, damaged, or used by unauthorized or improper persons, could harm the Resulting Issuer's reputation and expose the Resulting Issuer to regulatory actions and claims from customers and other persons, any of which could adversely affect the Resulting Issuer's business, financial position, and results of operations. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, the Resulting Issuer may not be able to anticipate these techniques or to implement adequate preventative measures. In addition, a security breach could require that the Resulting Issuer expend substantial additional resources related to the security of information systems and disrupt the Resulting Issuer's business.

#### ***Confidentiality of Personal and Health Information***

The Resulting Issuer and its employees have access, in the course of their duties, to the personal information of customers of the Resulting Issuer and specifically medical histories. There can be no assurance that the Resulting Issuer's policies, procedures and systems will be sufficient to address the privacy concerns of existing and future customers.

The Resulting Issuer may experience successful attempts by third parties to obtain unauthorized access to the personal information of its customers. This information could also be otherwise exposed through human error or malfeasance. The unauthorized access or compromise of this personal information could have an adverse effect on the Resulting Issuer's business, financial condition and results of operations.

The Resulting Issuer is also subject to federal, provincial and foreign laws regarding privacy and protection of data. Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data and its agreements with certain customers require the Resulting Issuer to notify them in the event of a security incident. In addition, the interpretation of data protection laws in the Canada and elsewhere, and their application to the internet, is unclear and in a state of flux. There is a risk that these laws may be interpreted and applied in conflicting ways from jurisdiction to jurisdiction, and in a manner that is not consistent with the Resulting Issuer's current data protection practices. Changes to such data protection laws may impose more stringent requirements for compliance and impose significant penalties for non-compliance. Any such new laws or regulations, or changing interpretations of existing laws and regulations, may cause the Resulting Issuer to incur significant costs and effort to ensure compliance.

The Resulting Issuer's failure to comply with federal, provincial and foreign laws regarding privacy and protection of data, as applicable, could lead to significant fines and penalties imposed by regulators, as well as claims by its customers and their customers. These proceedings or violations could force the Resulting Issuer to spend money in defense or settlement of such proceedings, result in the imposition of monetary liability, divert management's time and attention, increase the Resulting Issuer's costs of doing business, and adversely affect the Resulting Issuer's reputation and the demand for its products and services. In addition, if the Resulting Issuer's security measures fail to adequately protect personal information, the Resulting Issuer could be liable to both its customers and their customers for their losses. As a result, the Resulting Issuer could be subject to fines, could face regulatory action, and its customers could end their

relationships with the Resulting Issuer. There can be no assurances that the limitations of liability in the Resulting Issuer's contracts would be enforceable or adequate or would otherwise protect the Resulting Issuer from any such liabilities or damages with respect to any particular claim. The Resulting Issuer also cannot be sure that its existing general liability insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or at all, or will be available in sufficient amounts to cover one or more large claims, or that its insurers will not deny coverage as to any future claim. The successful assertion of one or more large claims against the Resulting Issuer that exceeds its available insurance coverage, or changes in its insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on its business, financial condition and results of operations.

### ***Operating Risks and Insurance Coverage***

The Resulting Issuer's operations will be subject to hazards inherent in the pharmaceutical industry, such as equipment defects, malfunction and failures, natural disasters that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment, labour disputes, and changes in the regulatory environment. These risks could expose the Resulting Issuer to substantial liability for personal injury, wrongful death, property damage, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators.

Although the Resulting Issuer will maintain insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover its liabilities. In addition, there can be no assurance that the Resulting Issuer will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits then maintained by the Resulting Issuer, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the Resulting Issuer, the Resulting Issuer's ability to conduct normal business operations and on the Resulting Issuer's business, financial condition, results of operations and cash flows in the future.

### ***Customer Acquisitions***

The Resulting Issuer's success depends, in part, on the Resulting Issuer's ability to attract and retain customers. There are many factors which could impact the Resulting Issuer's ability to attract and retain customers, including but not limited to the ability to continually produce desirable and effective product, the successful implementation of customer-acquisition plans and the continued growth in the aggregate number of customers. The failure to retain customers and the ability to increase sales of products through such customers, would have a material adverse effect on the Resulting Issuer's business, operating results and financial condition.

### ***Product Recalls***

Products are sometimes subject to recall or return for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products produced by the Resulting Issuer's suppliers are recalled due to an alleged product defect or for any other reason, the Resulting Issuer may be required to incur unexpected expenses relating to the recall and potentially any legal proceedings that might arise in connection with the recall. In addition, a product recall may require significant management attention. There can be no assurance that any quality problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by the Resulting Issuer's suppliers were subject to recall, the image of that product, the supplier and the Resulting Issuer could be harmed. A recall for any of the foregoing reasons could lead to decreased demand and could have a material adverse effect on the results of operations and financial condition of the Resulting Issuer. Additionally, product recalls may lead to increased scrutiny of the operations by regulatory agencies,

requiring further management attention and potential legal fees and other expenses, which may also have an adverse effect on the Resulting Issuer.

### ***Product Liability***

As a seller of products primarily designed to be used on or ingested by animals, the Resulting Issuer will face an inherent risk of exposure to product liability claims, regulatory action and litigation if the products it sells are alleged to have caused significant loss or injury, except for such products intended for euthanasia purposes. The Resulting Issuer may be subject to various product liability claims, including that the products they sell caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against the Resulting Issuer could result in increased costs to the Resulting Issuer, could adversely affect the Resulting Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Resulting Issuer. There can be no assurances that the Resulting Issuer or the Resulting Issuer's suppliers will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products.

### ***Intellectual Property***

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights brought in from the acquisition of Grey Wolf are significant aspects of the Resulting Issuer's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Resulting Issuer's products and technology. Policing the unauthorized use of the Resulting Issuer's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Resulting Issuer may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

In addition, other parties may claim that the Resulting Issuer's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Resulting Issuer may need to obtain licences from third parties who allege that the Resulting Issuer has infringed on their lawful rights. However, such licences may not be available on terms acceptable to the Resulting Issuer or at all. In addition, the Resulting Issuer may not be able to obtain or utilize on terms that are favorable to it, or at all, licences or other rights with respect to intellectual property that it does not own.

The Resulting Issuer may not have the right to defend infringement claims, as such right and obligation can lie with the third parties that the Resulting Issuer contracts with. In such circumstances, the Resulting Issuer may have to rely on such third parties to defend infringement claims and an adverse result in any litigation or defense proceedings could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

## **Risks Relating to the Resulting Issuer Shares**

### ***Lack of Liquidity or an Active Trading Market for the Resulting Issuer Shares***

Subject to TSXV approval, the Resulting Issuer Shares shall be listed on the TSXV upon completion of the Proposed Qualifying Transaction. However, no assurance can be given regarding the liquidity of such public market.

The extent to which investor interest will develop for the Resulting Issuer's business is unknown. The price for the Resulting Issuer Shares has been determined by agreement among the Resulting Issuer and may not be indicative of the price at which the Resulting Issuer Shares will trade in the public market after completion of the Proposed Qualifying Transaction. If an active market for the Resulting Issuer is not maintained, shareholders may experience difficulty in selling the Resulting Issuer Shares.

### ***Potential Volatility in the Market Price of the Resulting Issuer Shares***

North American stock markets can periodically experience significant price and volume fluctuations which may adversely affect the market price of all listed issuers. In addition, the market price of the Resulting Issuer Shares after completion of the Proposed Qualifying Transaction could become subject to significant fluctuations in response to quarterly variations in operating results, announcements of technological innovations through new services or products by the Resulting Issuer or its competitors, changes in financial estimates by securities analysts, changes in government regulations, or other events or factors, many of which are beyond the Resulting Issuer's control.

Securities of healthcare companies have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries.

### ***Future Dilution of Shareholders***

The Resulting Issuer will be authorized to issue additional Resulting Issuer Shares and securities convertible into Resulting Issuer Shares for the consideration and on the terms and conditions established by its board of directors in its sole discretion, whether in connection with acquisitions, or otherwise. The Resulting Issuer will also reserve Resulting Issuer Shares for issuance under its security based compensation plan. Any Resulting Issuer Shares that it issues would dilute the percentage ownership held by holders of Resulting Issuer Shares.

### ***Credit and Liquidity Risk***

The Resulting Issuer will be exposed to counterparty risks and liquidity risks including, but not limited to: (a) through suppliers of the Resulting Issuer which may experience financial, operational or other difficulties, including insolvency, which could limit or suspend those suppliers' ability to perform their obligations under agreements with the Resulting Issuer; (b) through financial institutions that may hold the Resulting Issuer's cash and cash equivalents; (c) through companies that will have payables to the Resulting Issuer; (d) through the Resulting Issuer's insurance providers; and (e) through the Resulting Issuer's lenders, if any. The Resulting Issuer will also be exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Resulting Issuer to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Resulting Issuer. If these risks materialize, the Resulting Issuer's operations could be adversely impacted and the price of the Resulting Issuer Shares could be adversely affected.

**CERTIFICATE OF MAGEN**

Dated: October 30, 2022

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Magen Ventures I Inc. assuming Completion of the Qualifying Transaction.

(signed) "*Jesse Kaplan*"

(signed) "*Jesse Kaplan*"

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Jesse Kaplan  
Chief Executive Officer

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Jesse Kaplan  
Chief Financial Officer

On behalf of the Board of Directors

(signed) "*Aaron Unger*"

(signed) "*Alan Friedman*"

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Aaron Unger  
Director

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Alan Friedman  
Director

**CERTIFICATE OF GREY WOLF**

Dated: October 30, 2022

The foregoing, as it relates to Grey Wolf Animal Health Inc. constitutes full, true and plain disclosure of all material facts relating to the securities of Grey Wolf Animal Health Inc.

(signed) "*Angela Cechetto*"

(signed) "*Kevin Palmer*"

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Angela Cechetto  
Chief Executive Officer and Secretary

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Kevin Palmer  
Chief Financial Officer

On behalf of the Board of Directors

(signed) "*Shawn Aspden*"

(signed) "*Robert Harris*"

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Shawn Aspden  
Director

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Robert Harris  
Director

**CERTIFICATE OF PROMOTER**

Dated: October 30, 2022

The foregoing, as it relates to Grey Wolf Animal Health Inc. constitutes full, true and plain disclosure of all material facts relating to the securities of Grey Wolf Animal Health Inc.

(signed) "*Jolyon Burton*"

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Bloom Burton & Co. Inc. (BBCI)  
Jolyon Burton  
Director

**ACKNOWLEDGEMENT – PERSONAL INFORMATION**

"Personal Information" means any information about an identifiable individual, and includes information contained in any Items in the Filing Statement that are analogous to Items 4.2, 11, 12.1, 15, 17.3, 18, 22, 23, 25, 30.3, 31, 32, 33, 34, 35, 36, 37, 40 and 41 of Form 3B2 - Information Required in a Filing Statement for a Qualifying Transaction of the TSXV, as applicable.

Magen Ventures I Inc. hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by Magen Ventures I Inc. to the Exchange pursuant to this Filing Statement; and
- (b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in the Exchange's Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated: October 30, 2022

**MAGEN VENTURES I INC.**

(signed) "*Jesse Kaplan*"

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Name: Jesse Kaplan  
Title: Director

## **SCHEDULE "A"**

### **AUDIT COMMITTEE CHARTER**

#### **GREY WOLF ANIMAL HEALTH CORP. (the "Corporation")**

### **AUDIT COMMITTEE CHARTER**

#### **I. Mandate**

The primary function of the audit committee (the "**Committee**") is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to regulatory authorities and shareholders, the Corporation's systems of internal controls regarding finance and accounting, and the Corporation's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements.
- Review and appraise the performance of the Corporation's external auditors.
- Provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board of Directors.

#### **II. Composition**

The Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be independent directors.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Corporation's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

#### **III. Meetings**

The Committee shall meet at least quarterly, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with management and the external auditors in separate sessions.

The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Audit Committee members with copies to the Board of Directors, the Chief Financial Officer or such other officer acting in that capacity, and the external auditor.

#### **IV. Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:

##### **Documents/Reports Review**

1. Review and update this Charter annually.
2. Review the Corporation's financial statements, MD&A and any annual and interim earnings, press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

##### **External Auditors**

3. Require the external auditors to report directly to the Committee.
4. Review annually the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Corporation.
5. Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation and confirming their independence from the Corporation.
6. Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
7. Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
8. Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval and the compensation of the external auditors.
9. Review with management and the external auditors the terms of the external auditors' engagement letter.
10. At each meeting, may consult with the external auditors, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements.
11. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
12. Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
13. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Corporation's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:

- i. the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than five percent (5%) of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the non-audit services are provided;
- ii. such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
- iii. such services are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee.

### **Financial Reporting Process**

14. In consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external.
15. Consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
16. Consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management.
17. Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
18. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
19. Review any significant disagreement among management and the external auditors regarding financial reporting.
20. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
21. Review the certification process.
22. Establish procedures for:
  - i. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - ii. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

### **Other**

23. Review disclosure of any related-party transactions.

**V. Authority**

The Committee may:

- (a) engage independent outside counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Committee; and
- (c) communicate directly with the internal and external auditors.

The Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.

**SCHEDULE "B"**

**PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER**

# **Grey Wolf Animal Health Corp.**

Pro Forma Consolidated Financial Statements  
(Unaudited)

# Grey Wolf Animal Health Corp.

## Pro Forma Consolidated Balance Sheet

(Unaudited)

As at June 30, 2022

	Grey Wolf Animal Health Inc. \$	Magen Ventures I Inc. \$	Pro Forma adjustments \$	Pro Forma consolidated \$
<b>Assets</b>				
<b>Current assets</b>				
Cash (note 2(c)) (note 2(c))	2,938,659	138,821	(551,945) (12,812)	2,525,535
Short-term investments	-	4,271,797	-	4,271,797
Trade and other receivables	1,875,182	-	-	1,875,182
Income tax recoverable	20,101	-	-	20,101
Inventory	3,487,732	-	-	3,487,732
Prepaid expenses	268,331	2,825	-	271,156
	8,590,005	4,413,443	(564,757)	12,438,691
<b>Property and equipment</b>	1,240,423	-	-	1,240,423
<b>Goodwill and intangible assets</b>	24,876,753	-	-	24,876,753
<b>Right-of-use assets</b>	848,780	-	-	848,780
	26,965,956	-	-	26,965,956
	35,555,961	4,413,443	(564,757)	39,404,647
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	2,777,915	134,967	-	2,912,882
Borrowings	1,032,656	-	-	1,032,656
Lease liabilities	70,886	-	-	70,886
Convertible debentures (note 2(c))	11,059,168	-	(11,059,168)	-
Convertible preferred shares (note 2(c))	2,344,961	-	(2,344,961)	-
Embedded derivatives (note 2(c))	4,454,698	-	(4,454,698)	-
	21,740,284	134,967	(17,858,827)	4,016,424
<b>Long-term borrowings</b>	9,501,651	-	-	9,501,651
<b>Lease liabilities</b>	773,814	-	-	773,814
<b>Deferred tax liabilities</b>	1,478,118	-	-	1,478,118
	11,753,583	-	-	11,753,583
	33,493,867	134,967	(17,858,827)	15,770,007

The accompanying notes are an integral part of these pro forma consolidated financial statements.

# Grey Wolf Animal Health Corp.

Pro Forma Consolidated Balance Sheet ...continued

(Unaudited)

As at June 30, 2022

	Grey Wolf Animal Health Inc. \$	Magen Ventures I Inc. \$	Pro Forma adjustments \$	Pro Forma consolidated \$
<b>Equity</b>				
<b>Share capital</b>	9,689,144	4,360,215	(4,360,215)	40,736,384
(notes 2(b) and 3)			7,199,986	
(notes 2(c) and 3)			4,454,698	
(note 2(c))			11,059,168	
(note 2(c))			2,344,961	
(note 2(c))			3,983,315	
(note 2(c))			2,005,112	
<b>Equity component of convertible debentures</b> (note 2(c))	2,005,112	-	(2,005,112)	-
<b>Warrants</b> (notes 2(b) and 5)	3,320,931	-	215,226	3,536,157
<b>Contributed surplus</b>	994,567	495,137	(495,137)	1,487,707
(notes 2(b) and 4)			493,140	
<b>Deficit</b>	(13,947,660)	(576,876)	576,876	(22,125,608)
(note 2(b))			(3,629,876)	
(note 2(c))			(4,548,072)	
	2,062,094	4,278,476	17,294,070	23,634,640
	35,555,961	4,413,443	(564,757)	39,404,647

The accompanying notes are an integral part of these pro forma consolidated financial statements.

## Grey Wolf Animal Health Corp.

### Pro Forma Consolidated Statement of Operations and Comprehensive Loss

(Unaudited)

For the six-month period ended June 30, 2022

	Grey Wolf Animal Health Inc. \$	Magen Ventures I Inc. \$	Pro Forma adjustments \$	Pro Forma consolidated \$
<b>Revenue</b>	11,298,053	-	-	11,298,053
<b>Cost of sales</b>	5,497,889	-	-	5,497,889
<b>Gross profit</b>	5,800,164	-	-	5,800,164
<b>Expenses</b>				
Sales and marketing	1,846,037	-	-	1,846,037
General and administrative (note 6)	2,686,901	184,121	423,000	3,294,022
Distribution	681,641	-	-	681,641
Depreciation and amortization	670,027	-	-	670,027
Share-based compensation	95,422	-	-	95,422
Regulatory	17,830	-	-	17,830
	5,997,858	184,121	423,000	6,604,979
	(197,694)	(184,121)	(423,000)	(804,815)
<b>Other (income) expense</b>				
Interest expense (note 2(c))	1,612,522	(2,156)	4,548,072	6,158,438
Listing expense (note 2(b))	-	-	3,629,876	3,629,876
Change in fair value of embedded derivatives	472,700	-	-	472,700
Foreign exchange loss	4,277	-	-	4,277
Other	(10,000)	(9,670)	-	(19,670)
<b>Loss before income taxes</b>	(2,277,193)	(172,295)	(8,600,948)	(11,050,436)
<b>Income tax recovery</b>	(167,619)	-	-	(167,619)
<b>Net loss and comprehensive loss for the period</b>	(2,109,574)	(172,295)	(8,600,948)	(10,882,817)

The accompanying notes are an integral part of these pro forma consolidated financial statements.

## Grey Wolf Animal Health Corp.

### Pro Forma Consolidated Statement of Operations and Comprehensive Income (Loss)

(Unaudited)

For the year ended December 31, 2021

	Grey Wolf Animal Health Inc. \$	Magen Ventures I Inc. \$	Trutina Pharmacy Inc. \$	Pro Forma consolidated \$
<b>Revenue</b>	13,095,439	-	6,757,185	19,852,624
<b>Cost of sales</b>	5,946,470	-	3,498,924	9,445,394
<b>Gross profit</b>	7,148,969	-	3,258,261	10,407,230
<b>Expenses</b>				
Sales and marketing	2,594,602	-	472,844	3,067,446
General and administrative	2,592,144	156,517	646,519	3,395,180
Distribution	628,660	-	512,054	1,140,714
Regulatory	63,839	-	-	63,839
Depreciation and amortization	1,018,323	-	30,354	1,048,677
Share-based compensation	180,991	258,655	-	439,646
	7,078,559	415,172	1,661,771	9,155,502
	70,410	(415,172)	1,596,490	1,251,728
<b>Other (income) expense</b>				
Interest expense	1,655,101	(1,188)	26,705	1,680,618
Change in fair value of embedded derivatives	267,534	-	-	267,534
Foreign exchange (gain) loss	(9,823)	-	-	(9,823)
Change in fair value of contingent consideration	72,972	-	-	72,972
Other income	(24,249)	(9,403)	-	(33,652)
<b>Income (loss) before income taxes</b>	(1,891,125)	(404,581)	1,569,785	(725,921)
<b>Income tax (recovery) expense</b>	(922,186)	-	361,600	(560,586)
<b>Net income (loss) and comprehensive income (loss) for the year</b>	(968,939)	(404,581)	1,208,185	(165,335)

The accompanying notes are an integral part of these pro forma consolidated financial statements.

# Grey Wolf Animal Health Corp.

## Notes to Pro Forma Consolidated Financial Statements

(Unaudited)

June 30, 2022

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### 1 Basis of presentation

The accompanying unaudited pro forma consolidated financial statements have been prepared by management using principles consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), for inclusion in the Filing Statement of Magen Ventures I Inc. (Magen), to reflect the acquisition of Grey Wolf Animal Health Inc. (Grey Wolf) by Magen after giving effect to the proposed transactions as described in note 2. In the opinion of management, the unaudited pro forma consolidated financial statements include all adjustments necessary for fair presentation of the completion of an amalgamation which will result in the reverse takeover of Magen by Grey Wolf (the Transaction).

The unaudited pro forma consolidated balance sheet has been compiled from the following financial information:

- unaudited condensed interim financial statements of Magen as at and for the three-month and six-month periods ended June 30, 2022; and
- unaudited interim condensed consolidated financial statements of Grey Wolf as at June 30, 2022 and for the three-month and six-month periods then ended.

The unaudited pro forma consolidated statement of operations and comprehensive loss for the six-month period ended June 30, 2022 has been compiled from the following financial information:

- unaudited condensed interim financial statements of Magen as at and for the three-month and six-month periods ended June 30, 2022; and
- unaudited interim condensed consolidated financial statements of Grey Wolf as at June 30, 2022 and for the three-month and six-month periods then ended.

The unaudited pro forma consolidated statement of operations and comprehensive income (loss) for the year ended December 31, 2021 has been compiled from the following financial information:

- audited consolidated financial statements of Magen as at December 31, 2021 and December 31, 2020 and for the years then ended;
- audited consolidated financial statements of Grey Wolf as at December 31, 2021, December 31, 2020 and January 1, 2020 and for the years ended December 31, 2021 and December 31, 2020; and
- audited financial statements of Trutina Pharmacy Inc. as at August 31, 2021, December 31, 2020 and January 1, 2020 and for the period from January 1, 2021 to August 31, 2021 and the year ended December 31, 2020 (since it was acquired by Grey Wolf on September 1, 2021).

# Grey Wolf Animal Health Corp.

## Notes to Pro Forma Consolidated Financial Statements

(Unaudited)

June 30, 2022

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The unaudited pro forma consolidated balance sheet of Magen and Grey Wolf as at June 30, 2022 has been presented assuming the Transaction had been completed on June 30, 2022.

The unaudited pro forma consolidated statement of operations and comprehensive loss of Magen and Grey Wolf for the six-month period ended June 30, 2022 has been presented assuming the Transaction had been completed on June 30, 2022.

## 2 Assumptions

The unaudited pro forma consolidated financial statements incorporate the following pro forma assumptions:

- a) Following the completion of the Transaction, the resulting company intends to change its name to Grey Wolf Animal Health Corp.
- b) After the Transaction, the existing shareholders of Grey Wolf will own a majority of the outstanding shares of the resulting company and will control it. The Transaction does not meet the definition of a business combination under IFRS 3, Business Combinations; accordingly, it has been accounted for in accordance with IFRS 2, Share-based Payments. The Transaction is equivalent to the issuance of shares and options by the resulting company for the net assets and the listing status of the non-operating public company, Magen, as follows:

	\$
Net assets of Magen	
Cash	138,821
Short-term investments	4,271,797
Prepaid expenses	2,825
Accounts payable and accrued liabilities	<u>(134,967)</u>
	4,278,476
Less: Total consideration	<u>7,908,352</u>
Listing expense	<u>(3,629,876)</u>

Consideration comprises:

	\$
Fair value of common shares	7,199,986
Fair value of options	493,140
Fair value of warrants	<u>215,226</u>
	<u>7,908,352</u>

The fair value of the common shares is determined using the 60,000,000 Magen common shares outstanding, assuming a share consolidation ratio of 16.6667:1 and valuing each post-consolidation common share at \$2.00.

# Grey Wolf Animal Health Corp.

## Notes to Pro Forma Consolidated Financial Statements

(Unaudited)

June 30, 2022

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The fair value of the stock options was determined using the Black-Scholes option pricing model. Of the 6,000,000 Magen stock options granted to directors, officers, and consultants and assuming a share consolidation ratio of 16.6667:1, there would be 359,999 Magen post-consolidation stock options outstanding. These stock options have a fair value of \$67,258 based on the Black-Scholes option pricing model using 65% volatility, an expected life of 3.7 years, 3.09% risk-free interest rate, no dividend yield, a share price of \$2.00 and an exercise price of \$1.67.

Magen currently has 3,200,000 warrants outstanding; assuming a share consolidation ratio of 16.6667:1, there would be 192,000 Magen post-consolidation warrants outstanding. These options have a fair value of \$215,226 based on the Black-Scholes pricing model using 65% volatility, an expected life of 4 years, 3.09% risk-free interest rate, no dividend yield, a share price of \$2.00 and an exercise price of \$1.67.

- c) The holders of the Grey Wolf convertible debentures and convertible preferred shares will convert all such instruments into Grey Wolf common shares at \$1.50 per common share at the close of the Transaction. This results in the reclassification of the convertible debentures value of \$11,059,168, the convertible preferred shares value of \$2,344,961 and the embedded derivative value of \$4,454,698 to share capital from current liabilities upon conversion to common shares, as well as the recognition of accelerated interest accretion of \$4,548,072. This also results in the reclassification of the equity component of convertible debentures to share capital in the amount of \$2,005,112. The accrued interest to September 30, 2022 on the convertible debentures equals \$1,758,590, of which \$551,945 will be paid in cash and the remaining \$1,206,645 will be converted to common shares at \$2.00 per share. The accrued interest to September 30, 2022 on the convertible preferred shares equals \$273,619, of which \$12,812 will be paid in cash and the remaining \$260,807 will be converted to common shares at \$2.00 per share. The net of accelerated interest after deducting interest to be paid in cash is \$3,983,315 (\$4,548,072 less \$551,945 and \$12,812 to be paid in cash, both of which have been deducted from cash in the pro forma adjustments).

The following table details the calculation of the number of common shares issued upon conversion of convertible debentures and convertible preferred shares:

	Convertible debt to common shares	Accrued interest converted to common shares	Total common shares
<b>Convertible debentures</b>			
2018	1,659,333	-	1,659,333
2020	909,999	-	909,999
2021	7,433,333	603,322	8,036,655
	<u>10,002,665</u>	<u>603,322</u>	<u>10,605,987</u>

# Grey Wolf Animal Health Corp.

## Notes to Pro Forma Consolidated Financial Statements

(Unaudited)

June 30, 2022

	Preferred shares to common shares	Accrued interest converted to common shares	Total common shares
<b>Preferred shares</b>			
2020	340,736	-	340,736
2021	1,606,667	130,404	1,737,071
	<u>1,947,403</u>	<u>130,404</u>	<u>2,077,807</u>

### 3 Share capital

Share capital as at June 30, 2022 in the unaudited pro forma consolidated balance sheet comprises the following:

	Number of shares	Share capital
	\$	\$
Opening balance – Grey Wolf	14,662,989	9,689,144
Shares issued to effect the Reverse Takeover (Note 2(b)) <sup>(1)</sup>	3,599,993	7,199,986
Shares issued upon conversion of convertible debentures (Note 2(c))	10,605,987	16,210,644
Shares issued upon conversion of preferred shares (Note 2(c))	2,077,807	3,181,912
Reclassification of embedded derivatives to share capital	-	4,454,698
	<u>30,946,776</u>	<u>40,736,384</u>

<sup>(1)</sup> Magen currently has 60,000,000 common shares outstanding, and assuming a share consolidation ratio of 16.6667:1, there would be 3,599,993 common shares outstanding.

### 4 Outstanding stock options

The total number of stock options that will be available to be issued is 10% of the outstanding common shares issued, or 3,077,588 stock options. The pro forma number of stock options outstanding is as follows:

	Number of stock options
	\$
Grey Wolf – Stock options at June 30, 2022	1,383,500
Magen – Stock options(1) at June 30, 2022	359,999
Options to be granted on close of the Transaction	<u>450,000</u>
	<u>2,193,499</u>

<sup>(1)</sup> 6,000,000 Magen stock options, and assuming a share consolidation ratio of 16.6667:1, there would be 359,999 Magen stock options outstanding.

# Grey Wolf Animal Health Corp.

## Notes to Pro Forma Consolidated Financial Statements

(Unaudited)

June 30, 2022

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### 5 Outstanding warrants

	Number	Exercise price \$
Grey Wolf – 2018 broker warrants	38,000	1.50
Grey Wolf – 2021 broker warrants	452,000	2.10
Grey Wolf – 2021 debt placement broker warrants	230,000	2.10
Grey Wolf – 2018 convertible debentures	497,800	2.000
Grey Wolf – 2021 convertible debentures and preferred shares	1,695,000	2.10
Magen – broker warrants <sup>(1)</sup>	192,000	1.67

<sup>(1)</sup> 3,200,000 Magen broker warrants, and assuming a share consolidation ratio of 16.6667:1, there would be 192,000 Magen broker warrants outstanding. Each broker warrant will be exercisable at any time on or before June 17, 2026.

### 6 Transaction costs

Estimated additional transaction costs directly related to the Transaction are \$423,000.

**SCHEDULE "C"**  
**FINANCIAL STATEMENTS OF MAGEN**

**Magen Ventures I Inc.**  
(A Capital Pool Company)

**Audited Financial Statements**

**For the Period from the Date of  
Incorporation (February 9, 2021) to  
December 31, 2021**

**(In Canadian Dollars)**



## Independent Auditor's Report

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To the Shareholders of Magen Ventures I Inc:

### Opinion

We have audited the financial statements of Magen Ventures I Inc. (the "Corporation"), which comprise the statement of financial position as at December 31, 2021 and the statements of loss and comprehensive loss, changes in equity and cash flows for the period from February 9, 2021 (date of incorporation) to December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2021, and its financial performance and its cash flows for the period from February 9, 2021 to December 31, 2021 in accordance with International Financial Reporting Standards

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pierrette Dosanjh.

Toronto, Ontario  
April 21, 2022

*MNP* LLP

Chartered Professional Accountants  
Licensed Public Accountants

**MNP**

**Magen Ventures I Inc.**  
**Statement of Financial Position**  
(in Canadian Dollars)

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**December 31, 2021**

<b>Assets</b>	
<b>Current assets</b>	
Cash held in trust	210,725
Short-term investments (Note 4)	4,259,971
	<b>\$ 4,470,696</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities (Note 5)	\$ 19,925
<b>Shareholders' Equity</b>	
Share capital, net of issuance costs (Note 6)	4,360,215
Contributed surplus (Note 6)	495,137
Accumulated deficit	(404,581)
	<b>4,450,771</b>
	<b>\$ 4,470,696</b>

Approved by the Board Jesse Kaplan  
CEO (Signed)

Jesse Kaplan  
CFO (Signed)

*The accompanying notes are an integral part of these audited financial statements.*

**Magen Ventures I Inc.**  
**Statement of Loss and Comprehensive Loss**  
**for the period from the date of incorporation (February 9, 2021) to December 31,**  
**2021**  
(in Canadian Dollars)

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	<b>Period from the date of incorporation (February 9, 2021) to December 31, 2021</b>
<b>Expenses</b>	
Professional fees	\$ 135,492
Filing fees	21,025
Stock-based compensation	258,655
Interest income	(1,188)
Unrealized gain	(9,403)
<b>Net loss and comprehensive loss for the period</b>	<b>(404,581)</b>
<b>Net loss per share (basic and diluted)</b>	<b>(0.01)</b>
<b>Weighted average shares outstanding (basic and diluted)</b>	<b>42,057,669</b>

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*The accompanying notes are an integral part of these audited financial statements.*

**Magen Ventures I Inc.**  
**Statement of Changes in Cash Flows**  
**For the period from the date of incorporation (February 9, 2021) to December 31, 2021**  
(in Canadian Dollars)

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**Cash provided by (used in)**

**Operating activities**

Net loss for the period \$ (404,581)

**Non-cash adjustments**

Other income (1,188)

Unrealized gain (9,403)

Stock-based compensation 258,655

**Changes in non-cash working capital**

Change in accounts payable and accrued liabilities 19,925

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**Cash used in operating activities** (136,592)

**Investing activities**

Short-term investment (4,249,380)

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**Cash used in investing activities** (4,249,380)

**Financing**

Share subscription, net of issuance costs 4,596,697

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**Cash provided by financing activities** 4,596,697

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**Net change in cash** 210,725

**Cash, beginning of period** -

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**Cash, end of period** \$ 210,725

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*The accompanying notes are an integral part of these audited financial statements.*

**Magen Ventures I Inc.**  
**Statement of Changes in Equity**  
**For the period from the date of incorporation (February 9, 2021) to December 31, 2021**  
(in Canadian Dollars)

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Accumulated Deficit</b>	<b>Shareholders' Equity</b>
Common shares issued (Note 3)	60,000,000	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Share issuance costs (cash)	-	(403,303)	-	-	(403,303)
Share issuance costs (Agent warrants)	-	(236,482)	236,482	-	-
Stock based compensation	-	-	258,655	-	258,655
Net loss for the period	-	-	-	(404,581)	(404,581)
<b>Balance, December 31, 2021</b>	<b>60,000,000</b>	<b>\$ 4,360,215</b>	<b>\$ 495,137</b>	<b>\$ (404,581)</b>	<b>\$ 4,450,771</b>

*The accompanying notes are an integral part of these audited financial statements.*

## **1. INCORPORATION AND NATURE OF BUSINESS**

Magen Ventures I Inc. (the "Corporation") was incorporated under the *Business Corporations Act* (Ontario) on February 9, 2021 and is a Capital Pool Company as defined in Policy 2.4 (the "Policy") of the TSX Venture Exchange (the "Exchange") Corporate Finance Manual. The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT") as defined in the Policy. The Corporation has not commenced commercial operations and has no assets other than cash held in trust and short-term investments. Given the nature of the activities, no separate segmented information is reported. The Corporation's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT.

The head office and the registered head office of the Corporation is located at 77 King Street West, Suite 400, Toronto, ON M5K 0A1.

On April 21, 2022, the Board of Directors approved the audited financial statements for the period from the date of incorporation (February 9, 2021) to December 31, 2021.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

These audited financial statements have been prepared in accordance with International Accounting Standards *IAS 1 – Presentation of Financial Statements* using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

### **Basis of Presentation**

These audited financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets, and financial liabilities. These audited financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

## **2. SIGNIFICANT ACCOUNTING POLICIES – continued**

### ***Financial instruments***

#### *Recognition*

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes a party to the contractual provisions of the instruments.

#### *Classification*

The Corporation classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss, and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Corporation reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Corporation has implemented the following classifications:

Cash held in trust is classified as assets at fair value and any period change in fair value is recorded in profit or loss.

Short term investments are classified as assets at fair value and any period change in fair value is recorded in profit or loss.

Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

#### *Measurement*

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss (FVTPL) are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

## **2. SIGNIFICANT ACCOUNTING POLICIES – continued**

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash held in trust and short-term investments are level 1 financial instruments measured at fair value on the statement of financial position.

### **Income Taxes**

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

### **ESTIMATES**

The preparation of financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates used in the financial statements.

### **Basis and Diluted Loss Per Share**

Basic loss per common share is determined by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted loss per common share is calculated in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding.

**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Share Capital**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

**Share-based Compensation**

Equity-settled share-based payments for directors, officers, employees, and consultants are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. Share options are measured at the fair value of each tranche on the grant date and are recognized in their respective vesting period using the Corporation's expected forfeiture rate. Any consideration paid by directors, officers, employees, and consultants on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

**3. CASH HELD IN TRUST**

Cash and cash equivalents include cash held in trust in amount of \$210,725, held with the legal firm of the Company.

**4. SHORT-TERM INVESTMENTS**

On July 5, 2021, the Corporation invested \$4,249,380 with the Agent (as defined herein). These deposits were made for \$1,249,380 in a National Bank of Canada ("**NBC**") interest savings account and \$3,000,000 in DUCA GIC .65%. During the period the Corporation earned \$1,188 in interest and \$9,403 in unrealized gain. The financial assets are classified as FVTPL under IFRS 9.

**Magen Ventures I Inc.**  
**Notes to the Financial Statements**  
**For the period from the date of incorporation (February 9, 2021) to December 31,**  
**2021**  
(in Canadian Dollars)

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**5. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities include following amounts:

	<b>December 31, 2021</b>
Accounts Payable	<b>6,093</b>
Accrued Liabilities	<b>13,832</b>
<b>Total</b>	<b>\$ 19,925</b>

**6. SHARE CAPITAL**

**Authorized** - Unlimited common shares

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<b>Balance, February 9, 2021</b>	<b>\$ Nil</b>
20,000,000 common shares issued (i)	<b>\$ 1,000,000</b>
40,000,000 common shares issued (ii)	<b>4,000,000</b>
Cost of issuance (cash)	<b>(403,303)</b>
Cost of issuance (warrants)	<b>(236,482)</b>
<b>Balance December 31, 2021</b>	<b>\$ 4,360,215</b>

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**a. Escrowed Shares**

On February 22, 2021, the Corporation issued 9,800,000 common shares in the capital of the Corporation ("Common Shares") at \$0.05 per share for gross proceeds of \$490,000.

On April 9, 2021, the Corporation issued a total of 10,200,000 Common Shares at \$0.05 per share for total proceeds of \$510,000.

Share issuance costs of \$17,503 were associated with these issuances.

## **6. SHARE CAPITAL – continued**

All Common Shares: (a) issued at a price below the price of the Common Shares issued in the Corporation's initial public offering ("IPO"); and (b) all shares acquired from treasury after the IPO but before the date of the Final QT Exchange Bulletin (as defined in the Policy) which are, directly or indirectly, beneficially owned or controlled by Non-Arm's Length Parties (as defined in the Policy) to the Corporation, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow.

20,000,000 issued and outstanding Common Shares are held in escrow pursuant to the requirements of the Exchange.

### **a. Initial Public Offering**

On June 17, 2021 the Corporation completed its IPO of 40,000,000 Common Shares at \$0.10 per share (\$4,000,000). The Corporation paid a commission of 9% of the gross proceeds to Canaccord Genuity Corp. (the "Agent"), and granted the Agent warrants to purchase 3,200,000 Common Shares exercisable for a period ending sixty months from the closing of the IPO, exercisable at \$0.10 per share. The Corporation also reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the IPO. Cash issuance costs of \$385,800 were associated with these issuances and the value attributed to the warrants granted to the Agent is \$236,482.

### **Options**

The Corporation has established a stock option plan for its directors, officers and consultants under which the Corporation may grant options from time to time to acquire, a maximum of 10% of the issued and outstanding Common Shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant. They are non-transferable and are exercisable as determined by the Board of Directors when the option is granted. Options expire within 90 days of termination of employment or holding office as director or officer of the Corporation (other than in connection with the completion of the QT – in which case 1 year) and, in the case of death, expire within a maximum period of one year after such death, subject to the expiry date of the option.

Any options granted, and any shares issued upon exercise of options, prior to the Corporation's completion of a QT will be subject to escrow restrictions. In addition to the foregoing, any options with an exercise price less than the offering price per Common Share in the IPO will be subject to the same escrow release schedule as the Common Shares issued for a price less than the offering price per Common Share in the IPO.

**Magen Ventures I Inc.**  
**Notes to the Financial Statements**  
**For the period from the date of incorporation (February 9, 2021) to December 31,**  
**2021**  
(in Canadian Dollars)

**6. SHARE CAPITAL - continued**

The following table reflects the continuity of stock options and warrants:

	Number of Stock Options and Warrants	Weighted Average Exercise Price (\$)
Balance, February 9, 2021	-	-
Granted to directors and officers (i)	5,000,000	\$0.05
Granted to directors and officers (ii)	1,000,000	\$0.10
Granted to Agent (ii)	3,200,000	\$0.10
<b>Balance, December 31, 2021</b>	<b>9,200,000</b>	<b>\$0.07</b>

- i. On February 22, 2021, the Corporation granted 5,000,000 stock options to directors and officers, which are exercisable within five years from the date of grant at an exercise price of \$0.05 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, discount rate of 0.22%, expected volatility of 100% and an expected life of five years. The value attributed to these options was \$184,474.
- ii. On June 17, 2021, the Corporation granted 1,000,000 stock options to directors and officers, which are exercisable within five years from the date of grant at an exercise price of \$0.10 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, discount rate of 0.82%, expected volatility of 100% and an expected life of five years. The value attributed to these options was \$74,181.

In addition, on June 17, 2021, the Corporation granted 3,200,000 warrants to the Agent, which are exercisable within five years from the date of grant at an exercise price of \$0.10 per share. These warrants were valued on the date of issue using the Black-Scholes warrant pricing model with the following assumptions: dividend yield 0%, discount rate of 0.39%, expected volatility of 100% and an expected life of five years. The value attributed to these options was \$236,482.

The following table reflects the actual stock options and warrants issued and outstanding as of December 31, 2021:

Expiry Date	Exercise Price	Remaining Contractual Life (Years)	Number of Stock Options and Warrants Outstanding	Number of Stock Options and Warrants Vested (Exercisable)
February 22, 2026	\$0.05	4.15	5,000,000	5,000,000
June 17, 2026	\$0.10	4.47	1,000,000	1,000,000
June 17, 2026	\$0.10	4.47	3,200,000	3,200,000
<b>Balance, December 31, 2021</b>	<b>\$0.07</b>	<b>4.30</b>	<b>9,200,000</b>	<b>9,200,000</b>

## **7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

### **Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of share capital and accumulated deficit in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT by the Corporation.

### **Risk Disclosures and Fair Values**

The Corporation's financial instruments, consisting of Cash held in trust, short-term investment, and accounts payable and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

## **8. RELATED PARTY TRANSACTIONS**

The Corporation incurred stock-based compensation expense related to directors and officers valued at \$258,655 during the period from date of incorporation (February 9, 2021) to December 31, 2021.

**Magen Ventures I Inc.**  
**Notes to the Financial Statements**  
**For the period from the date of incorporation (February 9, 2021) to December 31,**  
**2021**  
(in Canadian Dollars)

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**9. INCOME AND DEFERRED TAXES**

Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate is as follows:

	<b>Feb 9-Dec 31, 2021</b>
<b>Net Income (Loss) before recovery of income taxes</b>	<b>(\$404,581)</b>
Expected income tax (recovery) expense	(107,214)
Share-based compensation	68,544
Share issuance cost booked directly to equity	(169,543)
Change in tax benefits not recognized	\$208,213

Deferred Taxes

The following table summarizes the components of deferred tax:

	<b>Feb 9 - Dec 31, 2021</b>
<b>Deferred Tax Assets</b>	
Operating tax losses carried forward	\$2,492
Subtotal of Assets	2,492
<b>Deferred Tax Liabilities</b>	
Marketable Securities	(2,492)
Subtotal of Liabilities	(\$2,492)
<b>Net deferred tax liabilities</b>	<b>-</b>

**Magen Ventures I Inc.**  
**Notes to the Financial Statements**  
**For the period from the date of incorporation (February 9, 2021) to December 31,**  
**2021**  
(in Canadian Dollars)

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**9. INCOME AND DEFERRED TAXES - continued**

*Unrecognized deferred tax assets*

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	<u>Feb 9 - Dec 31, 2021</u>
Share issuance costs	\$630,568
Operating tax losses carried forward	155,143
<b>Total</b>	<b><u>\$785,711</u></b>

The Canadian operating tax loss carry forwards of \$155,143 expire in 2041. Share Issuance costs will be fully amortized in 2025. The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

**10. SUBSEQUENT EVENT**

On March 16, 2022, the Corporation entered into a business combination agreement with Grey Wolf Animal Health Inc., which outlines the terms and conditions pursuant to which Magen and Grey Wolf will complete a transaction that will result in a reverse take-over of Magen by Grey Wolf Animal Health Inc.

# **Magen Ventures I Inc.**

**(A Capital Pool Company)**

## **Unaudited Condensed Interim Financial Statements**

**For the three and six month periods ended  
June 30, 2022 and for the Three month  
period ended June 30, 2021 and for the  
period from February 9, 2021 (Date of  
Incorporation) to June 30, 2021**

**(In Canadian Dollars)**

**Magen Ventures I Inc.**  
 Unaudited Condensed Interim Statements of Financial Position  
 (in Canadian Dollars)

**June 30, 2022    December 31, 2021**

<b>Assets</b>		
<b>Current assets</b>		
Cash held in trust (Note 3)	\$ 138,821	\$ 210,725
Prepays	2,825	-
Short-term investments (Note 4)	4,271,797	4,259,971
	<b>\$ 4,413,443</b>	<b>\$ 4,470,696</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 134,967	\$ 19,925
<b>Shareholders' Equity</b>		
Share capital, net of issuance costs (Note 6)	4,360,215	4,360,215
Contributed surplus (Note 6)	495,137	495,137
Accumulated deficit	(576,876)	(404,581)
	4,278,476	4,450,771
	<b>\$ 4,413,443</b>	<b>\$ 4,470,696</b>

Approved by the Board Jesse Kaplan  
 CEO (Signed)

Jesse Kaplan  
 CFO (Signed)

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

**Magen Ventures I Inc.**

Unaudited Condensed Interim Statements of Loss and Comprehensive Loss

For the Three and Six Month Periods Ended June 30, 2022 and For the Three Month Period Ended June 30, 2021 and For the Period from February 9, 2021 (Date of Incorporation) to June 30, 2021  
(in Canadian Dollars)

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	<b>Three Months Ended June 30, 2022</b>	<b>Three Months Ended June 30, 2021</b>	<b>Six Months Ended June 30, 2022</b>	<b>For the period from February 9, 2021 (Date of Incorporation) to June 30, 2021</b>
<b>Expenses</b>				
Professional fees	\$ 147,241	\$ 21,215	\$ 170,880	\$ 26,494
Filing fees	4,551	17,826	13,241	17,826
Interest income (Note 4)	(1,341)	-	(2,156)	-
Unrealized gain (Note 4)	(4,862)	-	(9,670)	-
Stock-based compensation	-	74,181	-	258,655
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (145,589)</b>	<b>\$ (113,222)</b>	<b>\$ (172,295)</b>	<b>\$ (302,975)</b>
<b>Net loss per share (basic and diluted)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.02)</b>
<b>Weighted average shares outstanding (basic and diluted)</b>	<b>60,000,000</b>	<b>24,871,111</b>	<b>60,000,000</b>	<b>18,516,312</b>

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

**Magen Ventures I Inc.**

Unaudited Condensed Interim Statements of Cash Flows

For the Six Month Period Ended June 30, 2022 and

For the Period from February 9, 2021 (Date of Incorporation) to June 30, 2021

(in Canadian Dollars)

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	Six Months Ended June 30, 2022	For the period from February 9, 2021 (Date of Incorporation) to June 30, 2021
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss for the period	\$ (172,295)	\$ (302,975)
Other income	(2,156)	-
Unrealized gain	(9,670)	-
Stock-based compensation	-	258,655
Change in Prepays	(2,825)	-
Change in accounts payable and accrued liabilities	115,042	5,084
<b>Cash used in operating activities</b>	<b>(71,904)</b>	<b>(39,236)</b>
<b>Financing activities</b>		
Share subscription, net of issuance costs	-	4,596,697
<b>Cash provided by financing activities</b>	<b>-</b>	<b>4,596,697</b>
<b>Net change in cash</b>	<b>(71,904)</b>	<b>4,557,461</b>
<b>Cash, beginning of period</b>	<b>210,725</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 138,821</b>	<b>\$ 4,557,461</b>

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

**Magen Ventures I Inc.**  
**Unaudited Condensed Interim Statements of Changes in Equity**  
**For the Six month period ended June 30, 2022 and for the period from February 9, 2021 (Date of Incorporation) to June 30, 2021**  
(in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
<b>Opening Balance, February 9, 2021</b>	-	-	-	-	-
Common shares issued	<b>60,000,000</b>	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Share issuance cost (cash)	-	(403,303)	-	-	(403,303)
Share issuance cost (agent warrants)	-	(236,482)	236,482	-	-
Stock option compensation	-	-	258,655	-	258,655
Net loss for the period	-	-	-	(302,975)	(302,975)
<b>Balance, June 30, 2021</b>	<b>60,000,000</b>	<b>\$ 4,360,215</b>	<b>\$ 495,137</b>	<b>\$ (302,975)</b>	<b>\$ 4,552,377</b>
<b>Balance, January 1, 2022</b>	<b>60,000,000</b>	<b>\$ 4,360,215</b>	<b>\$ 495,137</b>	<b>\$ (404,581)</b>	<b>\$ 4,450,771</b>
Loss for the period	-	-	-	(172,295)	(172,295)
<b>Balance, June 30, 2022</b>	<b>60,000,000</b>	<b>\$ 4,360,215</b>	<b>\$ 495,137</b>	<b>\$ (576,876)</b>	<b>\$ 4,278,476</b>

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

**Magen Ventures I Inc.**  
**Notes to the Unaudited Condensed Interim Financial Statements**  
**For the Three and Six month periods ended June 30, 2022 and for the Three**  
**month period ended June 30 and for the period from February 9, 2021 (Date**  
**of Incorporation) to June 30, 2021**  
(in Canadian Dollars)

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**1. INCORPORATION AND NATURE OF BUSINESS**

Magen Ventures I Inc. (the "Corporation") was incorporated under the *Business Corporations Act* (Ontario) on February 9, 2021 and is a Capital Pool Company as defined in Policy 2.4 (the "Policy") of the TSX Venture Exchange (the "Exchange") Corporate Finance Manual. The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT") as defined in the Policy. The Corporation has not commenced commercial operations and has no assets other than cash held in trust, prepaids, and short-term investments. Given the nature of the activities, no separate segmented information is reported. The Corporation's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT.

The head office and the registered head office of the Corporation is located at 77 King Street West, Suite 400, Toronto, ON M5K 0A1.

On March 16, 2022 the Corporation entered into a business combination agreement (the "Business Combination Agreement") with Grey Wolf Animal Health Inc. (the "Grey Wolf"), pursuant to which a wholly-owned subsidiary of the Corporation and Grey Wolf will amalgamate pursuant to a three-cornered amalgamation under the *Business Corporations Act* (Ontario) (the "Amalgamation"). The Amalgamation will result in the reverse takeover of the Corporation by the shareholders of Grey Wolf. Following the completion of the Amalgamation, the Corporation, as the issuer resulting therefrom, is expected to trade on the Exchange and carry on the current business of Grey Wolf under the name "Grey Wolf Animal Health Corp." or such other name as may be determined by Grey Wolf and is acceptable to the applicable regulatory authorities. This proposed transaction is intended to be the QT for the Corporation. The transaction was not closed as at June 30, 2022.

On August 29, 2022 the Board of Directors approved the unaudited condensed interim financial statements for the three and six month periods ended June 30, 2022, for the three month period ended June 30, 2021 and for the period from the date of incorporation (February 9, 2021) to June 30, 2021.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

**Magen Ventures I Inc.**  
**Notes to the Unaudited Condensed Interim Financial Statements**  
**For the Three and Six month periods ended June 30, 2022 and for the Three**  
**month period ended June 30 and for the period from February 9, 2021 (Date**  
**of Incorporation) to June 30, 2021**  
(in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards *IAS 34 – Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These unaudited condensed interim financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets, and financial liabilities. These condensed interim financial statements are presented in Canadian dollars, which is the Corporation’s functional and presentation currency.

The accounting policies applied by the Corporation in these Condensed Interim Financial Statements are the same as those applied by the Corporation in the audited financial statements for the period ended December 31, 2021. Accordingly, certain disclosures included in audited financial statements prepared in accordance with IFRS as issued by the IASB have been condensed or omitted and these Financial Statements should be read in conjunction with the Corporation’s audited Financial Statements for the period ended December 31, 2021.

**3. CASH HELD IN TRUST**

Cash held in trust includes an amount of \$138,821 (2021 – \$210,725), held with the legal firm of the Corporation.

**4. SHORT-TERM INVESTMENTS**

On July 5, 2021, the Corporation invested \$4,249,380 with the Agent (as defined herein). These deposits were made for \$1,249,380 in National Bank of Canada (“NBC”) and \$3,000,000 in DUCA GIC .65%. During the six months period ended June 30, 2022 the Corporation earned \$2,156 (2021 – nil) in interest and \$9,670 in unrealized gain (2021 – “nil”). The financial assets are classified as Fair Value through Profit and Loss (FVTPL) under IFRS 9.

**5. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities include following amounts:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Accounts Payable	\$ 10,088	\$ 6,093
Accrued Liabilities	124,879	13,832
<b>Total</b>	<b>\$ 134,967</b>	<b>\$ 19,925</b>

**Magen Ventures I Inc.**  
**Notes to the Unaudited Condensed Interim Financial Statements**  
**For the Three and Six month periods ended June 30, 2022 and for the Three**  
**month period ended June 30 and for the period from February 9, 2021 (Date**  
**of Incorporation) to June 30, 2021**  
(in Canadian Dollars)

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**6. SHARE CAPITAL**

The following table reflects share capital balance as at June 30, 2022:

	<b>Number of Shares</b>	<b>Amount</b>
<b>Balance, February 9, 2021</b>	-	-
Shares issued	60,000,000	\$ 5,000,000
Issuance cost		(639,785)
<b>Balance, December 31, 2021 and June 30, 2022</b>	<b>60,000,000</b>	<b>\$ 4,360,215</b>

**a. Escrowed Shares**

On February 22, 2021, the Corporation issued 9,800,000 common shares in the capital of the Corporation ("Common Shares") at \$0.05 per share for gross proceeds of \$490,000.

On April 9, 2021, the Corporation issued a total of 10,200,000 Common Shares at \$0.05 per share for total proceeds of \$510,000.

Share issuance costs of \$17,503 were associated with these issuances.

All Common Shares: (a) issued at a price below the price of the Common Shares issued in the Corporation's initial public offering ("IPO"); and (b) all shares acquired from treasury after the IPO but before the date of the Final QT Exchange Bulletin (as defined in the Policy) which are, directly or indirectly, beneficially owned or controlled by Non-Arm's Length Parties (as defined in the Policy) to the Corporation, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow.

20,000,000 issued and outstanding Common Shares are held in escrow pursuant to the requirements of the Exchange.

**Magen Ventures I Inc.**  
**Notes to the Unaudited Condensed Interim Financial Statements**  
**For the Three and Six month periods ended June 30, 2022 and for the Three**  
**month period ended June 30 and for the period from February 9, 2021 (Date**  
**of Incorporation) to June 30, 2021**  
**(in Canadian Dollars)**

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**b. Initial Public Offering**

On June 17, 2021 the Corporation completed its IPO of 40,000,000 Common Shares at \$0.10 per share (\$4,000,000). The Corporation paid a commission of 9% of the gross proceeds to Canaccord Genuity Corp. (the "Agent"), and granted the Agent warrants to purchase 3,200,000 Common Shares exercisable for a period ending sixty months from the closing of the IPO, exercisable at \$0.10 per share. The Corporation also reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the IPO. Cash issuance costs of \$385,800 were associated with these issuances and the value attributed to the warrants granted to the Agent is \$236,482.

**Options**

The Corporation has established a stock option plan for its directors, officers and consultants under which the Corporation may grant options from time to time to acquire, a maximum of 10% of the issued and outstanding Common Shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant. They are non-transferable and are exercisable as determined by the Board of Directors when the option is granted. Options expire within 90 days of termination of employment or holding office as director or officer of the Corporation (other than in connection with the completion of the QT – in which case 1 year) and, in the case of death, expire within a maximum period of one year after such death, subject to the expiry date of the option.

Any options granted, and any shares issued upon exercise of options, prior to the Corporation's completion of a QT will be subject to escrow restrictions. In addition to the foregoing, any options with an exercise price less than the offering price per Common Share in the IPO will be subject to the same escrow release schedule as the Common Shares issued for a price less than the offering price per Common Share in the IPO.

**Magen Ventures I Inc.**  
**Notes to the Unaudited Condensed Interim Financial Statements**  
**For the Three and Six month periods ended June 30, 2022 and for the Three**  
**month period ended June 30 and for the period from February 9, 2021 (Date**  
**of Incorporation) to June 30, 2021**  
(in Canadian Dollars)

The following table reflects the continuity of stock options and warrants:

	Number of Stock Options and Warrants	Weighted Average Exercise Price (\$)
Balance, February 9, 2021	-	-
Granted to directors and officers (i)	5,000,000	\$0.05
Granted to directors and officers (ii)	1,000,000	\$0.10
Granted to Agent (iii)	3,200,000	\$0.10
<b>Balance, December 31, 2021 and June 30, 2022</b>	<b>9,200,000</b>	<b>\$0.07</b>

- i. On February 22, 2021, the Corporation granted 5,000,000 stock options to directors and officers, which are exercisable within five years from the date of grant at an exercise price of \$0.05 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, discount rate of 0.22%, expected volatility of 100% and an expected life of five years. The value attributed to these options was \$184,474.
- ii. On June 17, 2021, the Corporation granted 1,000,000 stock options to directors and officers, which are exercisable within five years from the date of grant at an exercise price of \$0.10 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, discount rate of 0.82%, expected volatility of 100% and an expected life of five years. The value attributed to these options was \$74,181.
- iii. In addition, on June 17, 2021, the Corporation granted 3,200,000 warrants to the Agent, which are exercisable within five years from the date of grant at an exercise price of \$0.10 per share. These warrants were valued on the date of issue using the Black-Scholes warrant pricing model with the following assumptions: dividend yield 0%, discount rate of 0.39%, expected volatility of 100% and an expected life of five years. The value attributed to these options was \$236,482.

The following table reflects the actual stock options and warrants issued and outstanding as of June 30, 2022:

Expiry Date	Exercise Price	Remaining Contractual Life (Years)	Number of Stock Options and Warrants Outstanding	Number of Stock Options and Warrants Vested (Exercisable)
February 22, 2026	\$0.05	3.65	5,000,000	5,000,000
June 17, 2026	\$0.10	3.97	1,000,000	1,000,000
June 17, 2026	\$0.10	3.97	3,200,000	3,200,000
<b>Balance, June 30, 2022</b>	<b>\$0.07</b>	<b>3.80</b>	<b>9,200,000</b>	<b>9,200,000</b>

**Magen Ventures I Inc.**  
**Notes to the Unaudited Condensed Interim Financial Statements**  
**For the Three and Six month periods ended June 30, 2022 and for the Three**  
**month period ended June 30 and for the period from February 9, 2021 (Date**  
**of Incorporation) to June 30, 2021**  
**(in Canadian Dollars)**

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## **7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

### **Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of share capital and accumulated deficit in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT by the Corporation.

### **Risk Disclosures and Fair Values**

The Corporation's financial instruments carried at amortized cost consist of cash held in trust, short-term investment, and accounts payable and accrued liabilities, which approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

## **8. RELATED PARTY TRANSACTIONS**

The Corporation incurred stock-based compensation expense related to directors and officers was \$nil for the six months period ended June 30, 2022 (in 2021- \$258,655).

## **9. SUBSEQUENT EVENTS**

On July 28, 2022 the Corporation and Grey Wolf amended the Business Combination Agreement to extend the completion deadline to November 30, 2022 and amend the consolidation ratio of the Common Shares from "19.1667 to 1" to "16.6667 to 1" or such other ratio as may be agreed to between the Corporation and Grey Wolf.

**SCHEDULE "D"**  
**FINANCIAL STATEMENTS OF GREY WOLF**

# **Grey Wolf Animal Health Inc.**

Consolidated Financial Statements  
**December 31, 2021, December 31, 2020  
and January 1, 2020**



## Independent auditor's report

To the Shareholders of Grey Wolf Animal Health Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Grey Wolf Animal Health Inc. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020 and January 1, 2020, and its financial performance and its cash flows for the years ended December 31, 2021 and December 31, 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020 and January 1, 2020;
- the consolidated statements of operations and comprehensive loss for the years ended December 31, 2021 and December 31, 2020;
- the consolidated statements of changes in shareholders' equity for the years ended December 31, 2021 and December 31, 2020;
- the consolidated statements of cash flows for the years ended December 31, 2021 and December 31, 2020; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP  
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5  
T: +1 905 815 6300, F: +1 905 815 6499

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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## **Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario  
October 28 2022

# Grey Wolf Animal Health Inc.

## Consolidated Statements of Financial Position

As at December 31, 2021, December 31, 2020 and January 1, 2020

	December 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash	4,351,857	2,129,290	376,459
Trade and other receivables (note 15)	1,124,652	999,060	861,473
Inventories (note 6)	2,869,189	1,465,947	1,604,881
Prepaid expenses	125,164	32,337	93,635
Total current assets	8,470,862	4,626,634	2,936,448
<b>Non-current assets</b>			
Property and equipment (note 7)	1,351,677	11,940	16,667
Right-of-use assets (note 18)	938,462	138,286	229,931
Goodwill and intangible assets (note 11)	25,472,586	2,402,636	3,092,936
Total non-current assets	27,762,725	2,552,862	3,339,534
<b>Total assets</b>	<b>36,233,587</b>	<b>7,179,496</b>	<b>6,275,982</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	2,221,394	1,217,765	1,023,330
Income taxes payable	75,287	83,394	60,637
Borrowings (note 13)	927,692	30,000	-
Lease liabilities (note 18)	135,084	92,344	89,420
Contingent consideration (note 8)	-	527,028	559,534
Convertible debentures (note 14)	10,031,770	-	-
Convertible preferred shares (note 14)	2,137,833	-	-
Embedded derivatives (note 14)	3,981,998	-	-
Total current liabilities	19,511,058	1,950,531	1,732,921
<b>Non-current liabilities</b>			
Borrowings (note 13)	10,028,733	50,000	-
Contingent consideration (note 8)	-	-	527,028
Convertible debentures (note 14)	-	1,289,182	338,963
Convertible preferred shares (note 14)	-	233,778	-
Lease liabilities (note 18)	788,408	48,167	140,511
Deferred tax liabilities (note 17)	1,829,142	-	-
Embedded derivatives (note 14)	-	785,646	-
Total non-current liabilities	12,646,283	2,406,773	1,006,502
<b>Total liabilities</b>	<b>32,157,341</b>	<b>4,357,304</b>	<b>2,739,423</b>
<b>Equity</b>			
Share capital (note 9)	9,689,144	8,051,894	8,029,420
Equity component of convertible debentures (note 14)	2,005,112	2,005,112	2,005,112
Warrants (note 10)	3,320,931	2,916,179	2,916,179
Contributed surplus	899,145	718,154	558,556
Deficit	(11,838,086)	(10,869,147)	(9,972,708)
<b>Total equity</b>	<b>4,076,246</b>	<b>2,822,192</b>	<b>3,536,559</b>
<b>Total equity and liabilities</b>	<b>36,233,587</b>	<b>7,179,496</b>	<b>6,275,982</b>

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

# Grey Wolf Animal Health Inc.

## Consolidated Statements of Operations and Comprehensive Loss

For the years ended December 31, 2021 and December 31, 2020

	2021 \$	2020 \$
<b>Revenue</b> (note 5)	13,095,439	7,681,985
<b>Cost of sales</b>	5,946,470	3,540,420
<b>Gross profit</b>	7,148,969	4,141,565
<b>Expenses</b>		
Sales and marketing (note 19)	2,594,602	1,774,103
General and administrative (note 19)	2,592,144	1,097,371
Distribution (note 19)	628,660	578,380
Regulatory (note 19)	63,839	168,390
Depreciation and amortization (notes 7, 11 and 18)	1,018,323	786,672
Share-based compensation (note 16)	180,991	159,598
	7,078,559	4,564,514
	70,410	(422,949)
<b>Other (income) expense</b>		
Interest expense	1,655,101	277,133
Change in fair value of embedded derivatives (note 14)	267,534	62,273
Foreign exchange (gain) loss	(9,823)	60,389
Change in fair value of contingent consideration (note 8)	72,972	40,466
Other income	(24,249)	(45,966)
<b>Loss before income taxes</b>	(1,891,125)	(817,244)
<b>Income tax (recovery) expense</b> (note 17)	(922,186)	79,195
<b>Net loss and comprehensive loss for the year</b>	(968,939)	(896,439)
<b>Basic and diluted loss per share for the year</b> (note 23)	(0.069)	(0.066)

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

# Grey Wolf Animal Health Inc.

## Consolidated Statements of Changes in Shareholders' Equity For the years ended December 31, 2021 and December 31, 2020

	Share capital \$	Equity component of convertible debentures \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance at January 1, 2020</b>	8,029,420	2,005,112	2,916,179	558,556	(9,972,708)	3,536,559
Net loss for the year	-	-	-	-	(896,439)	(896,439)
Issue of share capital	22,474	-	-	-	-	22,474
Share-based compensation expense	-	-	-	159,598	-	159,598
<b>Balance at December 31, 2020</b>	8,051,894	2,005,112	2,916,179	718,154	(10,869,147)	2,822,192
Net loss for the year	-	-	-	-	(968,939)	(968,939)
Issuance of share capital (note 9)	1,637,250	-	-	-	-	1,637,250
Issue of warrants (note 10)	-	-	404,752	-	-	404,752
Share-based compensation expense	-	-	-	180,991	-	180,991
<b>Balance at December 31, 2021</b>	9,689,144	2,005,112	3,320,931	899,145	(11,838,086)	4,076,246

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

# Grey Wolf Animal Health Inc.

## Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and December 31, 2020

	2021	2020
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the year	(968,939)	(896,439)
Adjustments to reconcile loss before tax to net cash flows:		
Depreciation of property and equipment (note 7)	93,880	4,727
Depreciation of right-of-use assets (note 18)	120,885	91,645
Amortization of intangible assets (note 11)	906,968	690,300
Amortization of financing fees	123,019	31,926
Non-cash cost of sales	26,837	-
Interest expense (notes 13 and 18)	1,257,776	190,173
Change in fair value of embedded derivatives (note 14)	267,534	62,273
Change in fair value of contingent consideration	72,972	40,466
Share-based compensation expense (note 16)	180,991	159,598
Income tax (recovery) expense	(922,186)	79,195
Income tax paid	(83,437)	(56,438)
Working capital changes		
Trade and other receivables	546,702	(137,587)
Inventory	(211,701)	138,934
Prepaid expenses	(66,976)	61,298
Accounts payable and accrued liabilities	794,400	135,604
	<u>2,138,725</u>	<u>595,675</u>
<b>Investing activities</b>		
Acquisitions – net of cash acquired (note 8)	(22,622,612)	-
Purchase of property and equipment (note 7)	(14,995)	-
Payment of contingent consideration	(600,000)	(600,000)
	<u>(23,237,607)</u>	<u>(600,000)</u>
<b>Financing activities</b>		
Proceeds from shareholder loan	-	950,000
Repayment of shareholder loan	-	(450,000)
Proceeds from borrowings (note 13)	11,500,000	80,000
Repayment of borrowings (note 13)	(255,699)	-
Payment of principal portion of lease liabilities (note 18)	(125,429)	(95,255)
Proceeds from issuance of convertible debentures (note 14)	11,175,000	840,000
Proceeds from issuance of convertible preferred shares (note 14)	2,482,500	438,605
Financing fees paid	(1,454,923)	(6,194)
	<u>23,321,449</u>	<u>1,757,156</u>
<b>Increase in cash during the year</b>	2,222,567	1,752,831
<b>Cash – Beginning of year</b>	<u>2,129,290</u>	<u>376,459</u>
<b>Cash – End of year</b>	<u>4,351,857</u>	<u>2,129,290</u>
<b>Supplementary information</b>		
Non-cash purchases of property and equipment	12,560	-
Interest paid	220,603	-

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

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021 and December 31, 2020

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### 1 Nature of operations

Grey Wolf Animal Health Inc. and its subsidiaries (the Company) is a private company 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 compound innovative branded and generic products for sale in Canada.

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

#### COVID-19 pandemic

The global outbreak of COVID-19 continues to be a threat to the global economy. The extent to which the COVID-19 pandemic may continue to impact the Company's business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the pandemic, travel restrictions and social distancing in Canada, the United States and other countries, business closures or business disruptions and the effectiveness of actions taken by governments around the globe to contain and treat the disease. The measures taken to date have caused material disruptions to businesses globally, resulting in an economic slowdown.

As of the date of approval of these consolidated financial statements, there has not been a material adverse impact on the Company's business due to the COVID-19 pandemic. The Company is in close contact with all of its suppliers and distributors and it has not experienced any material issues such as business interruptions, requests for changes in terms, supply shortages or similar negative impacts.

### 2 Basis of presentation and consolidation

#### Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). For all years up to and including the year ended December 31, 2019, the Company prepared its financial statements in accordance with Canadian Accounting Standards for Private Enterprises (ASPE). These consolidated financial statements for the years ended December 31, 2021 and 2020 and as at January 1, 2020 are the first the Company has prepared in accordance with IFRS.

The 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.

The consolidated financial statements are presented in Canadian dollars, unless otherwise indicated.

These consolidated financial statements were approved by the Board of Directors on October 27, 2022.

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

### December 31, 2021 and December 31, 2020

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#### **Basis of consolidation**

The consolidated financial statements as at January 1, 2020 and for the year ended December 31, 2020 include the accounts of the Company and the operations of its wholly owned subsidiaries: Veterinary Healthcare Solutions Inc. (VHS) and Grey Trust Inc. On December 31, 2020, the Company and VHS were amalgamated and Grey Trust Inc. was wound up into the Company.

The consolidated financial statements as at December 31, 2021 include the accounts of the Company and the operations of its wholly owned subsidiaries: Trutina Pharmacy Inc. (Trutina), TruBalance Healthcare Inc. (TruBalance), and 2775506 Ontario Inc.

All intercompany accounts and transactions are eliminated on consolidation.

### **3 Summary of significant accounting policies**

#### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value. The Company assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration that is classified as an asset or liability that is a financial instrument is measured at fair value with changes in fair value recognized in the consolidated statements of operations and comprehensive loss.

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill is not subject to amortization and an impairment test is performed annually or as events occur that could indicate impairment. Goodwill is reported at cost less any impairment.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating unit or CGUs). To test for impairment, goodwill is allocated to each of the Company's CGUs, groups of CGUs, or an operating segment expected to benefit from the acquisition.

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. To allocate an impairment loss, the assets are not impaired below the higher of their fair value less costs to sell and their value in use.

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

### December 31, 2021 and December 31, 2020

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#### **Fair value measurement**

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

#### **Revenue recognition**

Revenue is recognized when control of goods or services provided by the Company is transferred to the customer, at an amount reflecting the consideration the Company expects to receive from the customer in exchange for those goods or services.

The Company sells, markets and distributes animal health products, compounds medications and provides services to pharmaceutical companies in Canada. The following provides information about the nature and timing of the satisfaction of performance obligations in contracts and the related revenue recognition policies, categorized by revenue stream.

There are no significant judgments or estimates required in either determining the Company's performance obligations or, because the majority of the Company's revenue is recognized when goods are shipped to the customer, the timing of revenue recognition. As revenue is typically recognized at amounts agreed in advance with customers, no significant estimates are required in determining transaction prices.

Revenues are recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

#### a) Product revenue from customer sales

Revenue from product sales is recognized at the point in time when control of the asset is transferred to the customer, generally on shipment of the product to the customer. Products may be sold for which discounts may be applied at point of sale. A refund liability is recognized for the products that are expected to be returned (i.e., the amount not included in the transaction price).

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021 and December 31, 2020

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b) Commission revenue from service contracts

For service contracts, the Company has determined that its performance obligation is to solicit orders for products sold by a third party. Therefore, the Company has determined that it is acting as an agent given that the Company is not primarily responsible for fulfilling the underlying performance obligation, does not have inventory risk and does not have discretion in establishing prices. The Company records revenue based on a predetermined rate earned on the amount billed to the end customer, net of any rebates that the Company is required to pay. Revenue is recognized at a point in time when services are provided to the third party.

### Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity.

a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021 and December 31, 2020

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The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### Foreign currency transactions

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. Items included in the financial statements of each entity are measured using their functional currency.

Transactions in foreign currencies are initially recorded by the Company's subsidiaries at their respective functional currency exchange rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are remeasured to the functional currency at the closing exchange rate as at the dates of the consolidated statements of financial position. Foreign currency differences arising on remeasurement are recognized through profit or loss.

Non-monetary items that are measured in terms of historical cost are translated into the subsidiary's functional currency at the exchange rate at the date of the original transaction.

### Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- raw materials: purchase cost on a first-in/first-out basis; and
- finished goods: the purchase and labor cost, duty, brokerage and transportation costs to bring the inventory to the Company's premises.

When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the writedown previously recorded is reversed up to the lower of net realizable value and cost.

**Grey Wolf Animal Health Inc.**  
Notes to Consolidated Financial Statements  
**December 31, 2021 and December 31, 2020**

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**Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and impairment.

Items of property and equipment are depreciated over the estimated useful lives of the assets, as follows:

Office furniture and equipment	20% declining balance
Computer equipment and software	33% declining balance
Lab equipment	33% declining balance
Leasehold improvements	Straight-line over the term of the lease

The residual values, useful lives, and methods of depreciation of property and equipment are reviewed at each financial period-end and adjusted prospectively, if appropriate.

**Leases**

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter of the lease term and the useful life. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Right-of-use assets are depreciated on a straight-line basis as follows:

Property	Term of the lease
Office equipment	3 to 5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

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Lease payments included in the measurement of the lease liability comprise of:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

### **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses.

Intangible assets with finite lives are amortized over their estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset is included in the consolidated statements of operations and comprehensive loss.

Definite-life intangible assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Product rights	3 years
Customer relationships	6 to 12 years

Intangible assets, like the Pre-1954 Charter and brand name, with indefinite life, are non-depreciable assets. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to definite is made on a prospective basis.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset is included in the consolidated statements of operations and comprehensive loss.

### **Impairment of non-financial assets**

a) Timing of impairment testing

The carrying amounts of the Company's non-financial assets, other than inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated.

The Company assesses the recoverable amount of goodwill and indefinite life intangibles once a year, or more frequently if there are indicators of impairment.

b) Measurement of recoverable amount

The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

c) Recognition of impairment loss

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. For cash-generating units that include goodwill, an impairment loss is recognized when the carrying amount of the cash-generating unit, after including the balance of goodwill, exceeds its recoverable amount. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis. Impairment losses relating to goodwill cannot be reversed in future periods.

### **Financial instruments**

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade and other receivables that do not have a significant financing component, which are measured at their transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

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All recognized financial assets are measured subsequently at either amortized cost or fair value, depending on the classification of the financial asset.

a) Classification and measurement of financial assets

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, adjusted for any expected credit losses. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Company's financial assets at amortized cost include cash and trade and other receivables.

Cash in the consolidated statements of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less.

For trade and other receivables, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime expected credit losses at each reporting date. The Company has a simplified method for measured expected credit losses that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b) Classification and measurement of financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities, borrowings, convertible debentures, convertible preferred shares and embedded derivatives. All financial liabilities are recognized initially at fair value and, in the case of borrowings, convertible debentures and convertible preferred shares, net of directly attributable transaction costs.

After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate method.

At origination, the Company makes an assessment if a financial liability contains an embedded component that is not closely related to the host liability contract. If such financial liabilities contain embedded derivatives, these are separated from the host liability contract and recognized at fair value at initial recognition in either liability or equity. At initial recognition, the Company also determines whether financial instruments meet the definition of a liability, equity, or if they have characteristics of both a liability and equity. Financial liability instruments are then separated into liability components and, if applicable, an equity component, based on the contractual terms.

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

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A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of operations and comprehensive loss.

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

d) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss. Such embedded derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value through profit or loss.

### Share-based compensation

Since December 8, 2016, the Company has operated a share-based compensation scheme (the Original Plan) under which eligible employees, executives, directors and consultants who provide services similar to those provided by employees, collectively referred to as Employees, of the Company receive remuneration in the form of stock options. Under the Original Plan, Employees render services in exchange for equity instruments that provide rights over shares.

The Company measures the cost of stock options granted under the Original Plan at their fair value on the grant date. The fair value is determined using the Black-Scholes option pricing model. The grant date fair value does not take into account the requirement for Employees to render service, but the likelihood of the service condition being met is assessed as part of the Company's best estimate of the number of stock options that will ultimately vest.

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

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The cost of the stock options granted under the Original Plan is recognized in the consolidated statements of operations and comprehensive loss, with a corresponding increase in contributed surplus, over the vesting period in which the service conditions are fulfilled. The stock options typically vest in instalments over three years, on the anniversary of the grant date. As such, each instalment is accounted for as a separate share-based payment.

If the stock options are exercised, the amount initially recorded for the stock options within contributed surplus is credited to common shares, along with the proceeds received on the exercise. If the stock options are vested and cancelled, the amount initially recorded for the stock options remains within contributed surplus.

The Board has the right to accelerate the vesting conditions, including upon a liquidity event, which is defined as a sale, amalgamation or initial public offering (as defined in the stock option agreement) of the common shares of the Company. The stock options expire in ten years from the date of grant, or earlier depending on employment status.

### **Government assistance**

The Company recognizes government assistance when there is reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received. The Company recognizes government assistance as a reduction to the related expense or asset that the assistance is intended to offset.

### **New and revised IFRS standards not yet effective**

At the date of authorization of these consolidated financial statements, the Company has not applied the following new and revised IFRS standards that are not yet effective.

Amendments to International Accounting Standard (IAS) 1 – Presentation of Financial Statements (IAS 1): the amendments affect only the presentation of liabilities in the consolidated statements of financial position, not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the “right” to defer settlement by at least 12 months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The effective date of the amendments to IAS 1 is on or after January 1, 2023, earlier application is permitted. The Company is currently evaluating the impact this standard will have on the Company’s consolidated financial statements.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: the amendment replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. These amendments are applicable for annual periods beginning on or after

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January 1, 2023. The Company is currently evaluating the impact these amendments will have on the Company's consolidated financial statements.

#### **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 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.

The following areas require significant estimates or judgment by management.

##### **Business combinations**

When the Company completes an acquisition, management is required to make judgments to determine whether the acquisition meets the definition of a business in accordance with IFRS 3 – Business Combinations (IFRS 3).

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. The fair value of intangible assets identified are determined using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows.

In addition, the Company may provide contingent consideration as part of the purchase price for acquisitions of businesses and/or assets. Management is required to make judgments and estimates of the future performance of the acquired business and/or assets in order to determine the amount of contingent consideration to be recognized at the date of acquisition and at each subsequent reporting date.

##### **Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The cash flows are derived from the budget for the next five years. The recoverable amount is sensitive to the discount rate used in the models as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Company. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in note 11.

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**Taxes**

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company has \$5,152,438 (2020 – \$4,396,301; January 1, 2020 – \$3,890,752) of tax losses carried forward. These losses relate to the Company, which has a history of losses, and expire between the years of 2036 and 2041. The Company has employed tax strategies in order to utilize the losses against taxable income generated in the Company’s subsidiaries.

Prior to August 31, 2021, the Company’s subsidiaries did not have sufficient expectation of future profit to support the recognition of deferred tax assets for the losses in excess of any taxable temporary differences recognized. On this basis, prior to August 31, 2021, and December 31, 2020 the Company has determined that it cannot recognize deferred tax assets on the tax losses carried forward in excess of any recognized taxable temporary differences.

**Fair value measurement and valuation process**

Some of the Company’s financial liabilities are measured at fair value for financial reporting purposes where such liabilities have embedded derivatives.

In estimating the fair value, the Company uses market-observable and non-market data. The Company also engages, where needed, third party qualified valuers to perform such valuations. The Company considers such valuation as under level 3 of the fair value hierarchy.

**5 Revenue**

The Company recognizes revenue on sale of products, commissions, and other revenue in the consolidated financial statements. All revenue is generated in Canada. The total revenue recognized in these categories for the years ended December 31, 2021 and 2020 is as follows:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Types of revenue		
Product revenue	11,149,970	6,042,154
Commissions and other revenue	1,945,469	1,639,831
Total revenue	<u>13,095,439</u>	<u>7,681,985</u>

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**6 Inventories**

	December 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$
Raw materials	1,118,510	-	-
Finished goods	1,800,679	1,546,447	1,604,881
Inventory reserve	(50,000)	(80,500)	-
	<u>2,869,189</u>	<u>1,465,947</u>	<u>1,604,881</u>

The cost of inventory recognized as an expense and included in the consolidated statements of operations and comprehensive loss as part of cost of sales was \$5,519,715 for the year ended December 31, 2021 (2020 – \$3,340,093). Inventory writedown (recovery) charged to the consolidated statements of operations and comprehensive loss was (\$30,500) for the year ended December 31, 2021 (2020 – \$80,500).

**7 Property and equipment**

	Office furniture and equipment \$	Computer equipment and software \$	Lab equipment \$	Leasehold improve- ments \$	Total \$
<b>Cost</b>					
Balance at January 1, 2020 and December 31, 2020	10,088	10,809	-	4,076	24,973
Additions from business combinations	59,195	21,853	94,179	1,230,835	1,406,062
Additions	-	-	27,555	-	27,555
Balance at December 31, 2021	<u>69,283</u>	<u>32,662</u>	<u>121,734</u>	<u>1,234,911</u>	<u>1,458,590</u>
<b>Depreciation and impairment</b>					
Balance at January 1, 2020	1,250	6,036	-	1,020	8,306
Depreciation	1,768	1,432	-	1,527	4,727
Balance at December 31, 2020	3,018	7,468	-	2,547	13,033
Depreciation	5,769	3,701	10,465	73,945	93,880
Balance at December 31, 2021	<u>8,787</u>	<u>11,169</u>	<u>10,465</u>	<u>76,492</u>	<u>106,913</u>
<b>Net book value</b>					
December 31, 2021	<u>60,496</u>	<u>21,493</u>	<u>111,269</u>	<u>1,158,419</u>	<u>1,351,677</u>
December 31, 2020	<u>7,070</u>	<u>3,341</u>	<u>-</u>	<u>1,529</u>	<u>11,940</u>
January 1, 2020	<u>8,838</u>	<u>4,773</u>	<u>-</u>	<u>3,056</u>	<u>16,667</u>

Depreciation included in cost of sales is \$77,824 (2020 – \$nil).

# Grey Wolf Animal Health Inc.

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### 8 Business combinations and asset acquisition

#### Acquisition of Trutina Pharmacy Inc. and TruBalance Healthcare Inc.

On September 1, 2021, the Company acquired all the issued and outstanding shares of Trutina and TruBalance through a share purchase agreement. The assets and liabilities acquired qualify as a business as defined in IFRS 3.

Total consideration paid to the seller was \$22,291,797. The total consideration included cash of \$20,654,547 (including working capital adjustment) and 1,091,500 common shares of Grey Wolf Animal Health Inc., determined to have a fair value of \$1.50 per share, totalling \$1,637,250.

The assets acquired and liabilities assumed, and the effects on the cash flows, at the acquisition date are as follows:

	<b>Fair value recognized on acquisition \$</b>
<b>Assets</b>	
Cash	331,935
Trade and other receivables	672,294
Inventories	1,218,378
Prepaid expenses	25,851
Property and equipment (note 7)	1,406,062
Right-of-use assets (note 18)	921,061
Intangible assets (note 11)	9,500,000
	<u>14,075,581</u>
<b>Liabilities</b>	
Account payable and accrued liabilities	241,577
Income taxes payable	32,600
Deferred tax liabilities	2,794,058
Lease liabilities	892,467
	<u>3,960,702</u>
<b>Total identifiable net assets at fair value</b>	10,114,879
Goodwill (note 11)	<u>12,176,918</u>
<b>Purchase consideration transferred</b>	<u>22,291,797</u>
Cash consideration	20,654,547
Common shares issued	1,637,250
	<u>22,291,797</u>

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The goodwill of \$12,008,169 arising from the acquisition consists of the assembled workforce and it is not expected to be deductible for tax purposes.

The Company measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

Transaction costs incurred related to the acquisition were \$579,947.

For the year ended December 31, 2021, Trutina and TruBalance contributed revenue of \$3,400,000 and net profit of \$649,000 to the Company's results. If the acquisition had occurred on January 1, 2021, management estimates that consolidated revenue would have been \$20,200,000 (2020 – \$16,500,000), and consolidated net profit for the year would have been \$520,000 (2020 – \$836,000). In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2021.

**Acquisition of 2775506 Ontario Inc.**

On July 19, 2021, the Company closed a share purchase agreement with Dunwin Medical Group Limited to acquire 100% of outstanding common shares of 2775506 Ontario Inc. and its wholly owned subsidiary, Phillios Drugs Limited (Phillios), for cash consideration of \$2,300,000. In accordance with the concentration test under IFRS 3, the Company concluded that the fair value of the assets acquired were concentrated in a single identifiable asset, being the Pre-1954 Charter status of Phillios, which allows the pharmacy to operate. As a result, the Company allocated the purchase consideration of \$2,300,000 entirely to the Pre-1954 Charter.

The acquisition includes an unrecognized deferred tax liability of \$609,500 in relation to the IAS 12 – Income Taxes (IAS 12) recognition exemption on acquisition of assets.

**Acquisition of Veterinary Healthcare Solutions Inc.**

On December 31, 2018, the Company entered into a share purchase agreement to acquire all of the issued and outstanding shares and certain assets of VHS. The agreement included certain contingent consideration payments payable annually upon achievement of certain revenue levels of the VHS business, summarized as follows:

- \$600,000 to be paid in cash within 60 days following the 12-month period ended December 31, 2019 and if a certain revenue threshold is achieved; and
- \$600,000 to be paid in cash within 60 days following the 12-month period ended December 31, 2020 and if a certain revenue threshold is achieved.

The contingent consideration liability was initially recognized at fair value (level 3 in the fair value hierarchy), estimated using the discounted value of estimated future payments. The liability was included as part of the consideration transferred for the acquisition of the VHS shares.

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The key assumptions in valuing the contingent consideration include the following:

- estimated projected revenue;
- the likelihood of certain revenue levels being achieved; and
- a discount rate of 6%.

During the year ended December 31, 2020, an amount of \$600,000 was paid following the achievement of the revenue threshold for the year ended December 31, 2019. A change in fair value of contingent consideration was recognized in the amount of \$40,466. During the year ended December 31, 2021, an additional \$600,000 was paid following the achievement of the revenue threshold for the year ended December 31, 2020. A change in fair value of contingent consideration was recognized in the amount of \$72,972.

## 9 Share capital

Authorized

Unlimited number of common shares without par value

Issued and outstanding

	<b>Number of shares</b>		
	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Common shares	14,662,989	13,571,489	13,571,489

During the year, the Company issued 1,091,500 common shares at \$1.50 per common share for a total of \$1,637,250 in conjunction with the acquisition of Trutina and TruBalance as outlined in note 8.

## 10 Warrants

Equity warrants issued concurrently with the convertible debentures and preferred shares have the following 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.

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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
		<b>Investor warrants</b>	<b>Broker warrants</b>	<b>Total warrants</b>
<b>Balance at January 1, 2020</b>		4,819,600	38,000	4,857,600
Granted		-	-	-
<b>Balance at December 31, 2020</b>		4,819,600	38,000	4,857,600
Granted		1,695,000	682,000	2,377,000
Expired		(4,321,800)	-	(4,321,800)
<b>Balance at December 31, 2021</b>		2,192,800	720,000	2,912,800

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**11 Goodwill and intangible assets**

Intangible assets of the Company consisted of the following:

	Goodwill \$	Product right \$	Customer relationships \$	Brand \$	Pre-1954 Charter \$	Total \$
<b>Cost</b>						
At January 1, 2020 and December 31, 2020	1,712,336	2,070,900	-	-	-	3,783,236
Acquisition (note 8)	12,176,918	-	6,800,000	2,700,000	2,300,000	23,976,918
At December 31, 2021	13,889,254	2,070,900	6,800,000	2,700,000	2,300,000	27,760,154
<b>Amortization and impairment</b>						
At January 1, 2020	-	690,300	-	-	-	690,300
Amortization	-	690,300	-	-	-	690,300
At December 31, 2020	-	1,380,600	-	-	-	1,380,600
Amortization	-	690,300	216,668	-	-	906,968
At December 31, 2021	-	2,070,900	216,668	-	-	2,287,568
<b>Net book value at December 31, 2021</b>						
	13,889,254	-	6,583,332	2,700,000	2,300,000	25,472,586
At December 31, 2020	1,712,336	690,300	-	-	-	2,402,636
At January 1, 2020	1,712,336	1,380,600	-	-	-	3,092,936

**Impairment – Goodwill and intangible assets with indefinite useful lives**

Prior to acquisition of Phillios, the Company had one CGU for impairment testing purposes, being the Animal Health CGU. Upon acquisition of Phillios and supported by the acquisition of Trutina and TruBalance, the Company now has two CGUs for impairment testing purposes, Animal Health and Pharmacy.

For impairment testing, goodwill acquired through business combinations and intangible assets with indefinite useful lives have all been allocated to each of the CGUs at December 31, 2021:

	Animal Health \$	Pharmacy \$
Goodwill	1,712,336	12,176,918
Brand	-	2,700,000
Pre-1954 Charter	-	2,300,000
	1,712,336	17,176,918

The Company performs its annual impairment test in December of each year. The Company considers various factors when reviewing for indicators of impairment.

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**Animal Health CGU**

The recoverable amount of the Animal Health CGU of \$13,328,804 (2020 – \$9,982,298; January 1, 2020 – \$6,142,208) as at December 31, 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 15% (2020 – 15%; January 1, 2020 – 15%) and cash flows beyond the five-year period are extrapolated using a 2.5% growth rate (2020 – 2.5%; January 1, 2020 – 2.5%). As a result of this analysis, no impairment charge has been recorded in the current year against goodwill or intangibles allocated to the Animal Health CGU.

**Pharmacy CGU**

The recoverable amount of the Pharmacy CGU of \$24,473,000 as at December 31, 2021 has been determined based on a fair value less costs to dispose calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 20.5% and cash flows beyond the five-year period are extrapolated using a 2.5% growth rate. As a result of this analysis, no impairment charge has been recorded in the current year against goodwill or intangibles allocated to the Pharmacy CGU.

**Key assumptions**

The calculation of the recoverable amounts above is most sensitive to the following assumptions:

- gross margin;
- discount rates;
- market share during the forecast period; and
- growth rates used to extrapolate cash flows beyond the forecast period.

**12 Group information**

The consolidated financial statements of the Company include the following subsidiaries:

Name	Principal activities	Country of incorporation	Equity interest		
			December 31, 2021 %	December 31, 2020 %	January 1, 2020 %
2775506 Ontario Inc.	Holding company	Canada	100	-	-
Trutina Pharmacy Inc.	Pharmacy	Canada	100	-	-
TruBalance Healthcare Inc.	Marketing and education	Canada	100	-	-
Veterinary Healthcare Solutions Inc.	Animal Health	Canada	-	100	100
Grey Trust Inc.	Research and development	Canada	-	100	100

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**13 Borrowings**

A summary of the movements in borrowings is as follows:

	CEBA Loan \$	CWB credit loan \$	Total borrowings \$
Balance at January 1, 2020	-	-	-
Issuance of new borrowings	80,000	-	80,000
Balance at December 31, 2020	80,000	-	80,000
Current borrowings	30,000	-	30,000
Non-current borrowings	50,000	-	50,000
	80,000	-	80,000
Issuance of new borrowings	-	11,500,000	11,500,000
Financing costs paid	-	(403,524)	(403,524)
Repayment of borrowings	(30,000)	(225,699)	(255,699)
Interest and accretion expense	-	172,176	172,176
Interest paid	-	(136,528)	(136,528)
Balance at December 31, 2021	50,000	10,906,425	10,956,425
Current borrowings	50,000	877,692	927,692
Non-current borrowings	-	10,028,733	10,028,733
	50,000	10,906,425	10,956,425

**CEBA Loan**

On April 24, 2020, the Company received a \$80,000 loan from the Canada Emergency Business Account (CEBA Loan). See note 20.

**CWB credit loan**

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 commencing on October 1, 2021. The Company has a debt service coverage ratio financial covenant and is in compliance with this debt covenant as of December 31, 2021.

As consideration for services rendered in connection with the CWB credit loan, the Company issued 230,000 broker warrants (note 10).

**Royal Bank of Canada line of credit**

The Company has a line of credit available in the amount of \$750,000 secured on trade and other receivables and inventory. As at December 31, 2021, December 31, 2020 and January 1, 2020 there was \$nil outstanding on the line of credit.

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**14 Convertible debentures, convertible preferred shares and embedded derivatives**

**Convertible debentures**

	December 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$
2018 convertible debentures	645,959	467,928	338,963
2020 convertible debentures	914,110	821,254	-
2021 convertible debentures	8,471,701	-	-
	<u>10,031,770</u>	<u>1,289,182</u>	<u>338,963</u>
Current portion	10,031,770	-	-
Non-current portion	-	1,289,182	338,963

**Convertible preferred shares**

	December 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$
2020 convertible preferred shares	306,730	233,778	-
2021 convertible preferred shares	1,831,103	-	-
	<u>2,137,833</u>	<u>233,778</u>	<u>-</u>
Current portion	2,137,833	-	-
Non-current portion	-	233,778	-

**Embedded derivatives**

	December 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$
2020 convertible debentures	468,596	592,602	-
2020 convertible preferred shares	172,657	193,044	-
2021 convertible debentures	2,747,000	-	-
2021 convertible preferred shares	593,745	-	-
	<u>3,981,998</u>	<u>785,646</u>	<u>-</u>
Current portion	3,981,998	-	-
Non-current portion	-	785,646	-

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**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

	<b>Number of shares</b>		
	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
2020 convertible preferred shares	340,736	292,403	-
2021 convertible preferred shares	1,205,000	-	-

**2018 convertible debentures**

Interest at a rate of 6.0% per annum will accrue quarterly and will be payable in arrears in common shares or cash at the Company's sole discretion. If payable in common shares, determination of the number of common shares payable will be based on the price at which common shares were sold in the Company's most recently completed common share financing, and such shares will be issued upon the earlier of the maturity date and a liquidity event.

The 2018 convertible debentures are convertible, in whole or in part, at any time at the holder's option into common shares at a conversion price of \$1.50 per common share. The 2018 debentures (plus any accrued interest, at the Company's option) will automatically convert into common shares at the conversion price of \$1.50 upon the earlier of the maturity date and a liquidity event. They will mature on the date that is five years following the issuance date.

The principal portion meets the fixed-for-fixed criteria for accounting purposes and has been classified as equity and the interest portion is a financial liability. Warrants issued in relation to the 2018 convertible debentures met the fixed-for-fixed criteria and the issuance date fair value has been included within equity (note 10).

**2020 convertible debentures and preferred shares**

The holders of the 2020 convertible debentures and convertible preferred shares are entitled to receive interest payable quarterly in arrears in cash at an annual rate of 5%.

The 2020 convertible debentures and convertible preferred shares are convertible, in whole or in part, at any time at the holder's option into common shares at a conversion price of \$1.50 per common share. The 2020 debentures and preferred shares are not redeemable prior to the maturity date. They will mature, and the principal amount and any unpaid interest will become repayable in cash on the date that is five years following the issuance date.

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The 2020 convertible debentures and convertible preferred shares shall be automatically converted upon the occurrence of a liquidity event into common shares at the lesser of: (i) \$1.50 per common share; or (ii) a 25% discount to the prevailing price per common share at a liquidity event.

The 2020 convertible debentures and convertible preferred shares contain a financial liability and multiple embedded derivatives in accordance with the terms of the contractual arrangement. At the date of issue, the embedded derivatives and the host financial liability are recorded at fair value. The financial liability is subsequently measured at amortized cost using the effective interest rate method. The fair value of the embedded derivatives is determined using pricing model techniques and subsequently measured at fair value through profit or loss. Warrants issued in relation to the 2020 convertible debentures and convertible preferred shares met the fixed-for-fixed criteria and the fair value has been included within equity (note 10).

#### **2021 convertible debentures and preferred shares**

The 2021 convertible debentures and convertible preferred shares will automatically convert into a variable number of common shares at the conversion price upon the earlier of the maturity date or a liquidity event at a price equal to the price per share at which common shares were issued at the most recently completed equity financing round, less a 25% discount. Interest at a rate of 10% per annum will accrue quarterly and will be payable in a variable number of common shares.

The 2021 convertible debentures and convertible preferred shares contain a financial liability and multiple embedded derivatives in accordance with the terms of the contractual arrangement. At the date of issue, the embedded derivatives and the host financial liability are recorded at fair value. The financial liability is subsequently measured at amortized cost using the effective interest rate method. The fair value of the embedded derivatives is determined using pricing model techniques and subsequently measured at fair value through profit or loss. Warrants issued in relation to the 2021 convertible debentures and convertible preferred shares met the fixed-for-fixed criteria and the fair value has been included within equity (note 10).

#### **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.

There were no transfers between any level during the years ended December 31, 2021 and 2020.

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**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 December 31, 2021 and 2020, 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	2021 – 20.2%	1% increase (decrease) would result in decrease (increase) of \$24,695 (\$25,159) in the fair value
2021 convertible preferred shares – embedded conversion options	DCF method	Discount for counterparty credit risk	2021 – 20.2%	1% increase (decrease) would result in decrease (increase) of \$5,338 (\$5,438) in the fair value
2020 convertible debentures – embedded conversion options	“With” approach (binomial lattice method) “Without” approach (DCF method)	Discount for counterparty credit risk	2020 – 24.0%	1% (2020 – 1%) increase (decrease) would result in decrease (increase) of \$326 (\$251) in the fair value (2020 – \$1,508 (\$3,192))
2020 convertible preferred shares – embedded conversion options	“With” approach (binomial lattice method) “Without” approach (DCF method)	Discount for counterparty credit risk	2021 – 20.2%	1% increase (decrease) would result in decrease (increase) of \$16 (\$15) in the fair value

**15 Financial instruments risk management**

The Company’s principal financial liabilities comprise convertible debentures, convertible preferred shares, embedded derivatives, borrowings, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to finance the Company’s operations. The Company’s principal financial assets include trade and other receivables and cash.

The Company is exposed to liquidity risk, interest rate risk, foreign currency risk and credit risk. The Company’s senior management oversees the management of these risks. The Company’s senior management ensures that the Company’s financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company’s policies and risk objectives. It is the Company’s policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

**Liquidity risk**

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations with financial liabilities.

Cash flow forecasting is performed to monitor the Company’s liquidity requirements to ensure it has sufficient cash and to meet operational needs at all times.

Liquidity risk encompasses the risk that obligations are not met as they fall due. The Company’s main sources of liquidity are its operations, its external loans and borrowings and financing from its shareholders. The Company manages liquidity risk by maintaining sufficient cash balances, and through effective cash

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management and constant monitoring of projected versus actual cash flows, which are updated as considered necessary.

The Company's loans and borrowings and other agreements contain several financial and other covenants and a failure by the Company to comply with these could result in a default, which if not rectified or waived could permit acceleration of the relevant settlement.

The Company's liquidity and the ability to service debt, as well as purchase and other commitments, leases, operating agreements, working capital and capital expenditure requirements, is dependent on future financial performance, for which there can be no assurance that the Company will be successful in achieving.

The following table summarizes the undiscounted contractual maturities of the Company's non-derivative financial liabilities at December 31, 2021:

	Carrying amount \$	Future cash flows \$	Less than one year \$	Years two and three \$	Years four and five \$	Thereafter \$
Account payable and accrued liabilities	2,221,394	2,221,394	2,221,394	-	-	-
Convertible debentures	10,031,770	45,872	45,872	-	-	-
Convertible preferred shares	2,137,833	17,180	17,180	-	-	-
Embedded derivatives	3,981,998	-	-	-	-	-
Borrowings	10,956,425	13,200,404	980,201	1,998,976	10,221,227	-
Lease liabilities	923,492	1,149,852	159,110	217,580	211,343	561,819
Total	30,252,912	16,634,702	3,423,757	2,216,556	10,432,570	561,819

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is limited to the CEBA Loan. The Company's convertible debentures, convertible preferred shares and the CWB credit loan have a fixed rate of interest and, accordingly, are not subject to interest rate risk.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company and all of its subsidiaries have a functional currency of Canadian dollars. Foreign currency risk occurs as a result of foreign exchange rate fluctuations from accounts payable and accrued liabilities denominated in foreign currencies as the Company purchases goods and services denominated in foreign currencies. The Company's cash and accounts payable and accrued liabilities denominated in a foreign currency were \$2,311 and \$229,462 (2020 – \$250 and \$127,918), respectively. The Company does not use derivatives to reduce exposure to foreign currency risk.

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**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from cash, which is held with creditworthy institutions, and trade and other receivables. The Company's maximum exposure to credit risk from trade and other receivables is equal to the carrying value of the trade and other receivables balance.

The Company's trade and other receivables are not subject to a significant amount of credit risk. The Company routinely assesses the financial strength of its customers and, as a consequence, believes its trade and other receivables' credit risk exposure is limited. Trade and other receivables past due represents amounts not collected beyond the customer's contractual terms. The Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9 – Financial Instruments, which permits the use of the lifetime expected loss provision for all trade and other receivables. At December 31, 2021, there were \$382,536 of trade and other receivables that were past due (2020 – \$nil of trade and other receivables that were past due but still collectible).

**Financial instruments carried at other than fair value**

The following table provides a comparison of the carrying amount and fair value of the Company's financial assets and liabilities that are not carried at fair value in the consolidated financial statements:

	<b>December 31, 2021</b>		<b>December 31, 2020</b>		<b>January 1, 2020</b>	
	<b>Carrying amount</b>	<b>Fair Value</b>	<b>Carrying amount</b>	<b>Fair Value</b>	<b>Carrying amount</b>	<b>Fair Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>						
Cash	4,351,857	4,351,857	2,129,290	2,129,290	376,459	376,459
Trade and other receivables	1,124,652	1,124,652	999,060	999,060	861,473	861,473
<b>Total</b>	<b>5,476,509</b>	<b>5,476,509</b>	<b>3,128,350</b>	<b>3,128,350</b>	<b>1,237,932</b>	<b>1,237,932</b>
<b>Financial liabilities</b>						
Accounts payable and accrued liabilities	2,221,394	2,221,394	1,217,765	1,217,765	1,023,330	1,023,330
Borrowings	10,956,425	10,956,425	80,000	80,000	-	-
Lease liabilities	923,492	923,492	140,511	140,511	229,931	229,931
2018 convertible debentures	645,959	469,839	467,928	368,400	338,963	357,650
2020 convertible debentures	914,111	1,005,499	821,254	822,204	-	-
2020 convertible preferred shares	306,730	376,540	233,778	269,456	-	-
2021 convertible debentures	8,471,700	8,899,558	-	-	-	-
2021 convertible preferred shares	1,831,103	1,923,582	-	-	-	-
<b>Total</b>	<b>26,270,914</b>	<b>26,776,329</b>	<b>2,961,236</b>	<b>2,898,336</b>	<b>1,592,224</b>	<b>1,610,911</b>

The following methods and assumptions were used to estimate the above-mentioned fair values.

All financial assets of the Company are carried at amortized cost in the consolidated financial statements, and for all financial assets the carrying value approximates fair value because of their nature and relatively short maturity dates.

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The Company believes that the carrying values of accounts payable and accrued liabilities and lease liabilities approximate their current fair values because of their nature and relatively short maturity dates or durations and current market rates for similar instruments.

Borrowings are carried at amortized cost using the effective interest method of amortization. The estimated fair values of the borrowings approximate their fair values due to the short period from origination.

Fair value and carrying value of the host contracts of convertible debentures and convertible preferred shares components measured at amortized cost are presented above. The fair value measurements are Level 3 of the hierarchy.

**16 Share-based compensation**

The Company has a stock option plan where up to 2,543,393 (2020 – 1,641,656) 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.

Share-based compensation expense for the year ended December 31, 2021 was \$180,991 (2020 – \$159,598).

A summary of the stock option changes during the year ended December 31, 2021 and the total number of stock options outstanding as at that date and changes since January 1, 2020 are set forth below:

	<b>Number of stock options</b>	<b>Weighted average exercise price \$</b>
<b>Balance at January 1, 2020</b>	980,000	1.16
Granted	243,500	1.50
Forfeited	(65,000)	1.36
	<hr/>	
<b>Balance at December 31, 2020</b>	1,158,500	1.22
Granted	225,000	1.50
Forfeited	-	-
	<hr/>	
<b>Balance at December 31, 2021</b>	<u>1,383,500</u>	<u>1.26</u>

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The following table summarizes information about the stock options outstanding as at December 31, 2021.

<b>Exercise price \$</b>	<b>Number of stock options</b>	<b>Weighted average remaining contractual life in years</b>	<b>Number of outstanding exercisable</b>
0.88	345,000	5.37	345,000
1.30	570,000	7.02	553,334
1.50	468,500	9.18	90,167
	<u>1,383,500</u>	<u>7.46</u>	<u>988,501</u>

The Company estimated the fair value of stock options granted during the year ended December 31, 2021 using the Black-Scholes option pricing model with the following weighted average assumptions:

Volatility	65%
Expected life of stock options	6 years
Risk-free interest rate	1.48%
Dividend yield	-

**Expected life**

The expected life of stock options granted is six years from the grant date.

**Volatility**

Management used an average volatility of comparable listed companies of 65% (2020 – 66%) as the Company does not have sufficient history in the public markets to calculate its own volatility.

**Expected dividends**

The expected average dividend yield is nil% for the year ended December 31, 2021 (2020 – nil%).

**Risk-free interest rate**

The risk-free interest rate is the nominal treasury rate corresponding to the term of the option. The average risk-free interest rate used for options granted was 1.48% (2020 – 0.38%).

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**17 Income taxes**

Taxes recognized in profit and loss are as follows for the years ended December 31, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Current tax expense	42,730	79,195
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(121,947)	(236,793)
Change in benefit relating to tax losses recognized	(842,969)	236,793
	(964,916)	-
Income tax (recovery) expense	(922,186)	79,195

A reconciliation of the effective tax rate applicable to the Company is as follows for the years ended December 31, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Loss before income taxes	(1,891,125)	(817,244)
Income tax recovery using the Company's statutory tax rate of 26.5% (2020 – 26.5%)	(501,148)	(216,570)
Impact on taxes from		
Non-deductible expenses	458,953	58,972
Recognition of previously unrecognized deferred tax assets	(842,969)	-
Unrecognized deferred tax assets	-	236,793
Other	(37,022)	-
Total tax (recovery) expense	(922,186)	79,195

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Deferred tax assets and deferred tax liabilities have been offset to the extent that they relate to the same taxation authorities and there is a legally enforceable right to do so. Deferred tax liabilities and assets are made up of the following balances:

	Deferred tax assets			Deferred tax liabilities			Net		
	December 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$	December 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$	December 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$
Property and equipment	-	8,391	7,461	(241,760)	-	-	(241,760)	8,391	7,461
Intangible assets	-	-	-	(2,460,083)	(182,930)	(365,859)	(2,460,083)	(182,930)	(365,859)
Right-of-use assets	-	-	-	(248,692)	(36,646)	(60,932)	(248,692)	(36,646)	(60,932)
Lease liabilities	244,725	37,235	60,932	-	-	-	244,725	37,235	60,932
Convertible debentures	-	-	-	(488,407)	(535,584)	(579,584)	(488,407)	(535,584)	(579,584)
SR&ED expenditure pool	178,491	178,491	178,491	-	-	-	178,491	178,491	178,491
Reserves	105,010	52,712	47,441	-	-	-	105,010	52,712	47,441
Non-capital loss carryforwards	1,081,574	478,331	712,050	-	-	-	1,081,574	478,331	712,050
<b>Net deferred tax assets (liabilities)</b>	<b>1,609,800</b>	<b>755,160</b>	<b>1,006,375</b>	<b>(3,438,942)</b>	<b>(755,160)</b>	<b>(1,006,375)</b>	<b>(1,829,142)</b>	<b>-</b>	<b>-</b>

The following is a reconciliation of the unrecognized losses for which no deferred tax asset has been recognized:

	December 31, 2021 \$	December 31, 2020 \$
Beginning of year	(3,231,512)	(1,864,591)
Tax losses recognized on acquisition of subsidiary	3,231,512	-
Change in recognized tax losses	-	(861,372)
Tax loss for the year	-	(505,549)
End of year	-	(3,231,512)

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The below outlines the movement in deferred tax balances for the years ended December 31, 2021 and 2020:

	Balance – January 1, 2021 \$	Recognized in profit or loss \$	Acquired in business combinations \$	Balance – December 31, 2021 \$
Property and equipment	8,391	(23,968)	(226,183)	(241,760)
Inventories	-	42,798	(42,798)	-
Intangible assets	(182,930)	240,347	(2,517,500)	(2,460,083)
Right-of-use assets	(36,646)	32,035	(244,081)	(248,692)
Lease liabilities	37,235	(29,014)	236,504	244,725
Convertible debentures	(535,584)	47,177	-	(488,407)
SR&ED expenditure pool	178,491	-	-	178,491
Reserves	52,712	52,298	-	105,010
Non-capital loss carryforwards	478,331	603,243	-	1,081,574
	-	964,916	(2,794,058)	(1,829,142)
	-	-	-	-
	Balance – January 1, 2020 \$	Recognized in profit or loss \$	Acquired in business combinations \$	Balance – December 31, 2020 \$
Property and equipment	7,461	930	-	8,391
Inventories	-	-	-	-
Intangible assets	(365,859)	182,929	-	(182,930)
Right-of-use assets	(60,932)	24,286	-	(36,646)
Lease liabilities	60,932	(23,697)	-	37,235
Convertible debentures	(579,584)	44,000	-	(535,584)
SR&ED expenditure pool	178,491	-	-	178,491
Reserves	47,441	5,271	-	52,712
Non-capital loss carryforwards	712,050	(233,719)	-	478,331
	-	-	-	-

The Company has estimated Canadian non-capital losses that may be carried forward against future year income tax for Canadian income tax purposes, subject to final determination by taxation authorities and expiring as follows:

	\$
2036	177,000
2037	1,743,000
2038	1,862,000
2039	749,000
2040	505,000
	<u>5,036,000</u>

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021, December 31, 2020 and January 1, 2020

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### 18 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 two 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 \$
<b>As at January 1, 2020</b>	216,826	13,105	229,931
Depreciation expense	(86,730)	(4,915)	(91,645)
<b>As at December 31, 2020</b>	130,096	8,190	138,286
Acquisition (note 8)	921,061	-	921,061
Depreciation expense	(115,971)	(4,914)	(120,885)
<b>As at December 31, 2021</b>	935,186	3,276	938,462

Depreciation included in cost of sales is \$25,585 (2020 – \$nil).

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

	\$
<b>As at January 1, 2020</b>	229,931
Payments	(95,255)
Accretion of interest	5,835
<b>As at December 31, 2020</b>	140,511
Additions	892,467
Payments	(125,429)
Accretion of interest	15,943
<b>As at December 31, 2021</b>	923,492

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021, December 31, 2020 and January 1, 2020

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

	December 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$
Current lease liabilities	135,084	92,344	89,420
Non-current lease liabilities	788,408	48,167	140,511
Total	923,492	140,511	229,931

### 19 Nature of expenses

	2021 \$	2020 \$
<b>Sales and marketing</b>		
Salary, bonus, benefits	1,890,277	1,352,991
Travel, meals, business expenses	201,905	79,790
Professional and outside services	180,496	52,565
Advertising and promotion	288,032	247,775
Other expenses	33,892	40,982
Total sales and marketing	2,594,602	1,774,103
	2021 \$	2020 \$
<b>General and administrative</b>		
Salary, bonus, benefits	1,033,495	612,156
Travel, meals, business expenses	49,405	26,346
Professional and outside services	956,568	205,950
Other expenses	552,676	252,919
Total general and administrative	2,592,144	1,097,371
	2021 \$	2020 \$
<b>Distribution</b>		
Salary, bonus, benefits	178,312	401,580
Travel, meals, business expenses	6,330	526
Professional and outside services	783	-
Other expenses	68,239	72,462
Freight expense	374,996	103,812
Total distribution	628,660	578,380

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021, December 31, 2020 and January 1, 2020

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	2021 \$	2020 \$
<b>Regulatory</b>		
Salary, bonus, benefits	-	4,420
Travel, meals, business expenses	-	1,461
Professional and outside services	11,587	9,928
Research and development	52,252	141,807
Other expenses	-	10,774
	<hr/>	<hr/>
Total regulatory	63,839	168,390

### 20 Government loans

On April 24, 2020, the Company received an \$80,000 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 to 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 \$20,000 in loan forgiveness is available.

As a result of the amalgamation of VHS and the Company effective January 1, 2021, \$30,000 of the loan was repayable immediately and was therefore reflected as a current liability on the consolidated balance sheet as at December 31, 2020. As at December 31, 2021, \$50,000 of the loan remains outstanding.

### 21 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 December 31, 2021, \$nil was recorded in relation to legal claims (2020 – \$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.

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.

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021, December 31, 2020 and January 1, 2020

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### 22 Capital management

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to provide returns for shareholders and benefits for other stakeholders by ensuring it has sufficient cash resources to maintain its ongoing operations. The Company includes its share capital and deficit in the definition of capital.

A summary of the Company's capital structure is as follows:

	December 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$
Share capital	9,689,144	8,051,894	8,029,420
Equity component of convertible debentures	2,005,112	2,005,112	2,005,112
Convertible debentures	10,031,770	1,289,162	338,963
Convertible preferred shares	2,137,833	233,778	-
Embedded derivatives	3,981,998	785,646	-
Deficit	(11,838,086)	(10,869,147)	(9,972,708)
	<u>16,007,771</u>	<u>1,496,445</u>	<u>400,787</u>

### 23 Loss per share

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

	2021 \$	2020 \$
Net loss for the year	(968,939)	(896,439)
Weighted average number of common shares	13,935,322	13,571,489
Basic and diluted loss per share	(0.069)	(0.066)

Of the 1,383,500 (2020 – 1,158,500) stock options and 2,912,800 (2020 – 4,857,600) warrants not included in the calculation of diluted loss per share for the year ended December 31, 2021, 3,901,301 (2020 – 5,579,437) were exercisable.

### 24 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 VHS in 2018, primarily focuses on selling, marketing and distributing pharmaceutical, nutraceutical and consumable products to veterinary clinics across Canada.

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021, December 31, 2020 and January 1, 2020

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### Pharmacy business unit

The Pharmacy business unit, which was acquired on completion of the Trutina and TruBalance acquisition on September 1, 2021, compounds pharmaceuticals, primarily for equine use but also for the bio-identical hormone replacement therapy market, all based on prescriptions received from veterinarians, physicians and patients.

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 year ended December 31, 2021. The Company had two operating segments following the acquisition of Trutina and TruBalance on September 1, 2021.

	<b>Year ended December 31, 2021</b>		
	<b>Animal Health</b>	<b>Pharmacy</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	9,767,553	3,327,886	13,095,439
Cost of sales	4,247,224	1,699,246	5,946,470
Gross profit	5,520,329	1,628,640	7,148,969

	<b>As at and for the year ended December 31, 2021</b>		
	<b>Animal Health</b>	<b>Pharmacy</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
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

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021, December 31, 2020 and January 1, 2020

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### 25 Related party transactions

During the year, the Company paid a total of \$19,314 (2020 – \$116,589) to a related security holder for advisory services, accounting and bookkeeping services and office rent. As at December 31, 2021, \$1,130 (2020 – \$1,130) was payable to this related security holder and included in accounts payable and accrued liabilities.

During the year, the Company paid a transaction cost to a related security holder of \$317,096 (2020 – \$43,644) in relation to the Company's convertible debenture and convertible preferred share financing. An amount of \$nil (2020 – \$6,301) was included in accounts payable and accrued liabilities as at December 31, 2021.

During the year, the Company paid a transaction cost to a related security holder of \$241,500 in relation to the CWB credit loan (note 13) and issued broker warrants (note 10).

A related security holder participated in the 2021 convertible debenture offering for total proceeds of \$530,000 and in the 2020 convertible debenture offering for total proceeds of \$500,000. The same related security holder also received broker warrants (note 10) in relation to the issuance of 2021 convertible debentures and convertible preferred shares.

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:

	2021 \$	2020 \$
Salary, benefits, director fees and bonus	1,150,636	1,002,831
Share-based payments	159,173	140,071
	<u>1,309,809</u>	<u>1,142,902</u>

### 26 Subsequent events

On March 16, 2022, subsequently amended July 29, 2022, Magen Ventures I Inc. (Magen) and the Company entered into a binding agreement (the Definitive Agreement) to conduct the qualifying transaction, pursuant to which Magen will acquire all of the issued and outstanding Company shares in exchange for the issuance of resulting issuer shares. The transaction will be structured as a three-cornered amalgamation. Magen, a capital pool company (CPC), intends for the transaction to constitute a qualifying transaction under Policy 2.4 of the TSX Venture Exchange.

On the terms and subject to the conditions set forth in the Definitive Agreement, Magen and the Company propose to effect a business combination transaction pursuant to which (i) Company and Subco (a newly created subsidiary of Magen) will amalgamate and continue as Amalco; (ii) the combined business and assets of

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021, December 31, 2020 and January 1, 2020

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Company will become the business and assets of Amalco; (iii) Amalco will continue as a wholly owned subsidiary of Magen; and (iv) the Company shareholders will become shareholders of Magen.

Pursuant to the amalgamation, among other things: (i) each Company common share outstanding immediately prior to the amalgamation will be exchanged for one post-consolidation Magen share; (ii) each outstanding Subco share will be exchanged for one fully paid Amalco share.

In addition to the amalgamation, there are several transactions that are expected to occur concurrently or proximate to the amalgamation, including the share consolidation, name change, Magen Director appointments and change of auditor.

Prior to the amalgamation, Magen will complete the share consolidation of the Magen shares pursuant to the consolidation ratio, so that there will be approximately 3,599,993 Magen shares issued and outstanding after the consolidation, as well as the Magen options or Magen broker warrants which will then be exercisable to acquire approximately 551,999 Magen shares.

Immediately prior to the amalgamation, the 2021 convertible debentures and convertible preferred shares of the Company will convert into Company common shares in accordance with their terms. In addition, the principal portions of the 2018 convertible debentures, the 2020 convertible debentures and the 2020 convertible preferred shares will also be converted into common shares in accordance with their terms.

After the amalgamation, Magen is expected to change its name to Grey Wolf Animal Health Corp. or such other name as is agreed to by the parties.

On March 10, 2022, the Company renewed its warehouse lease for an additional period of 18 months. The lease renewal is on the same terms and conditions as contained in the original lease except that the basic rent increases to \$112,500 per annum.

### **27 IFRS transition**

The Company previously prepared its consolidated financial statements using ASPE. The last set of financial statements prepared under ASPE were for the year ended December 31, 2020. Management elected to prepare its 2021 financial statements under IFRS and these consolidated financial statements are the first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in these consolidated financial statements were applied in preparing the consolidated financial statements for the year ended December 31, 2021, the comparative information presented in these financial statements for the year ended December 31, 2020 and in the preparation of an opening statement of financial position as at January 1, 2020, and reflect all IFRS standards as at December 31, 2021.

The Company also applied certain optional exemptions and mandatory exceptions as applicable for first-time IFRS adopters.

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021, December 31, 2020 and January 1, 2020

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In preparing its opening IFRS consolidated statement of financial position, the Company adjusted amounts reported previously in its consolidated financial statements prepared in accordance with ASPE. An explanation of how the transition from ASPE to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

### **Exemptions and exceptions to retrospective application of IFRS**

IFRS 1 – First-time Adoption of IFRS, allows first-time adopters certain exemptions and exceptions from the retrospective application of certain requirements under IFRS. The Company has applied the following:

- the Company has elected not to apply IFRS 3 to any past business combinations. ASPE balances relating to business combinations entered into before January 1, 2020, including goodwill, have been carried forward without adjustment;
- financial assets and liabilities that had been de-recognized before January 1, 2020, the date of transition to IFRS, have not been recognized under IFRS;
- the estimates used by the Company are in accordance with IFRS and reflect conditions at January 1, 2020, the date of transition to IFRS;
- the Company assessed contracts existing at January 1, 2020 to determine whether a contract contains a lease based upon the conditions in place as at January 1, 2020; and
- lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2020. Hindsight was used in determining the lease term if the contract contains options to extend or terminate the lease. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statements of financial position immediately before January 1, 2020. Initial direct costs have been excluded from the measurement of the right-of use asset at the date of transition. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognized as an expense on a straight-line basis over the lease term.

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021, December 31, 2020 and January 1, 2020

### Reconciliation of the consolidated statements of financial position as at January 1, 2020

	January 1, 2020		
	ASPE \$	Adjustments \$	IFRS \$
<b>Assets</b>			
<b>Current assets</b>			
Cash	376,459	-	376,459
Trade and other receivables	861,473	-	861,473
Inventories	1,604,881	-	1,604,881
Prepaid expenses	93,635	-	93,635
Total current assets	2,936,448	-	2,936,448
<b>Non-current assets</b>			
Property and equipment	16,667	-	16,667
Right-of-use assets (a)	-	229,931	229,931
Goodwill and intangible assets	3,092,936	-	3,092,936
Total non-current assets	3,109,603	229,931	3,339,534
<b>Total assets</b>	<b>6,046,051</b>	<b>229,931</b>	<b>6,275,982</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	1,023,330	-	1,023,330
Income taxes payable	60,637	-	60,637
Lease liabilities (a)	-	89,420	89,420
Contingent consideration	559,534	-	559,534
Total current liabilities	1,643,501	89,420	1,732,921
<b>Non-current liabilities</b>			
Contingent consideration	527,028	-	527,028
Convertible debentures (b)	2,526,074	(2,187,111)	338,963
Lease liabilities (a)	-	140,511	140,511
Total non-current liabilities	3,053,102	(2,046,600)	1,006,502
<b>Total liabilities</b>	<b>4,696,603</b>	<b>(1,957,180)</b>	<b>2,739,423</b>
<b>Equity</b>			
Share capital	8,029,420	-	8,029,420
Equity component of convertible debentures (b)	-	2,005,112	2,005,112
Warrants (b)	2,822,615	93,564	2,916,179
Contributed surplus	558,556	-	558,556
Deficit (a), (b)	(10,061,143)	88,435	(9,972,708)
<b>Total equity</b>	<b>1,349,448</b>	<b>2,187,111</b>	<b>3,536,559</b>
<b>Total equity and liabilities</b>	<b>6,046,051</b>	<b>229,931</b>	<b>6,275,982</b>

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021, December 31, 2020 and January 1, 2020

### Reconciliation of the consolidated statements of financial position as at December 31, 2020

	December 31, 2020		
	ASPE \$	Adjustments \$	IFRS \$
<b>Assets</b>			
<b>Current assets</b>			
Cash	2,129,290	-	2,129,290
Trade and other receivables	999,060	-	999,060
Inventories	1,465,947	-	1,465,947
Prepaid expenses	32,337	-	32,337
Total current assets	4,626,634	-	4,626,634
<b>Non-current assets</b>			
Property and equipment	11,940	-	11,940
Right-of-use assets (a)	-	138,286	138,286
Goodwill and intangible assets	2,402,636	-	2,402,636
Total non-current assets	2,414,576	138,286	2,552,862
<b>Total assets</b>	<b>7,041,210</b>	<b>138,286</b>	<b>7,179,496</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	1,217,765	-	1,217,765
Income taxes payable	83,394	-	83,394
Borrowings	30,000	-	30,000
Lease liabilities (a)	-	92,344	92,344
Contingent consideration	527,028	-	527,028
Total current liabilities	1,858,187	92,344	1,950,531
<b>Non-current liabilities</b>			
Borrowings	50,000	-	50,000
Convertible debentures (b)	4,028,169	(2,738,987)	1,289,182
Convertible preferred shares (b)	393,160	(159,382)	233,778
Lease liabilities (a)	-	48,167	48,167
Embedded derivatives (b)	-	785,646	785,646
Total non-current liabilities	4,471,329	(2,064,556)	2,406,773
<b>Total liabilities</b>	<b>6,329,516</b>	<b>(1,972,212)</b>	<b>4,357,304</b>
<b>Equity</b>			
Share capital	8,051,894	-	8,051,894
Equity component of convertible debentures (b)	-	2,005,112	2,005,112
Warrants (b)	2,822,614	93,565	2,916,179
Contributed surplus	718,154	-	718,154
Deficit (a), (b)	(10,880,968)	11,821	(10,869,147)
<b>Total equity</b>	<b>711,694</b>	<b>2,110,498</b>	<b>2,822,192</b>
<b>Total equity and liabilities</b>	<b>7,041,210</b>	<b>138,286</b>	<b>7,179,496</b>

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021, December 31, 2020 and January 1, 2020

### Reconciliation of the consolidated statements of operations and comprehensive loss for the year ended December 31, 2020

	December 31, 2020		
	ASPE \$	Adjustments \$	IFRS \$
<b>Revenue</b>	7,681,985	-	7,681,985
<b>Cost of sales</b>	3,540,420	-	3,540,420
<b>Gross profit</b>	4,141,565	-	4,141,565
<b>Expenses</b>			
Sales and marketing (a)	1,785,525	(11,422)	1,774,103
General and administrative (a)	1,100,896	(3,525)	1,097,371
Distribution (a)	658,687	(80,307)	578,380
Regulatory	168,390	-	168,390
Depreciation and amortization (a)	695,027	91,645	786,672
Share-based compensation	159,598	-	159,598
<b>Operating loss</b>	(426,558)	3,609	(422,949)
Interest expense (a), (b)	259,183	17,950	277,133
Change in fair value of embedded derivatives (b)	-	62,273	62,273
Foreign exchange loss	60,389	-	60,389
Change in fair value of contingent consideration	40,466	-	40,466
Other income	(45,966)	-	(45,966)
Loss before income taxes	(740,630)	(76,614)	(817,244)
Income tax expense	79,195	-	79,195
<b>Net loss and comprehensive loss for the year</b>	<b>(819,825)</b>	<b>(76,614)</b>	<b>(896,439)</b>

### Adjustments to the consolidated statements of cash flows

The transition from ASPE to IFRS had no significant impact on the consolidated statements of cash flows for the year ended December 31, 2020.

### Effects of the transition to IFRS

#### a) Leases

Previously under ASPE, the Company's leases were classified as operating leases whereby lease payments were charged to the consolidated statements of operations and comprehensive loss on a straight-line basis over the period of the lease.

# Grey Wolf Animal Health Inc.

## Notes to Consolidated Financial Statements

December 31, 2021, December 31, 2020 and January 1, 2020

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On adoption of IFRS 16 – Leases, the Company recognized a lease liability and a right-of-use asset in relation to substantially all leases that had previously been classified as operating leases under ASPE.

These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2020. The right-of-use asset was measured on the consolidated statements of financial position as at January 1, 2020 being the amount equal to the lease liability. The changes in the right-of-use assets and lease liabilities during 2020 are set out in note 18.

b) Convertible debentures, convertible preferred shares and warrants

The Company bifurcated the value of common share warrants, where applicable, from the instruments issued since such warrants are legally detachable and offer the holders the right to subscribe for a fixed number of shares; the amounts detached from the proceeds are recognized under equity as these warrants meet the definition of an equity instrument.

The proceeds from issuance are then bifurcated between multiple liability components, including the host liability contract, measured subsequently at amortized cost under the effective interest rate method, and embedded derivative components, which are subsequently measured at fair value each period.

c) Income taxes

IAS 12 requires the recognition of deferred taxes and, as such, the adoption of IAS 12 results in differences when compared to ASPE as the Company was applying the taxes payable method. Under IAS 12, the Company calculated the deferred tax assets and deferred tax liabilities as at December 31, 2020 and January 1, 2020.

As at January 1, 2020 and December 31, 2020, it was determined that it was not probable that sufficient taxable income would be generated to utilize existing tax losses and, as a result, no deferred tax assets were recorded in excess of any deferred tax liabilities that had been recognized. As such, there was no net deferred tax liability to be recognized on either date.

d) Presentation changes and other adjustments

Certain presentation differences exist between IFRS and ASPE. As a result, presentation changes were required on the consolidated statements of financial position, consolidated statements of operations and consolidated statements of cash flows.

These reclassifications did not impact previously reported net loss and comprehensive loss.

# **Grey Wolf Animal Health Inc.**

Interim Condensed Consolidated Financial  
Statements

**June 30, 2022**

# Grey Wolf Animal Health Inc.

## Interim Condensed Consolidated Statements of Financial Position

	June 30, 2022 \$	December 31, 2021 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	2,938,659	4,351,857
Trade and other receivable	1,875,182	1,124,652
Income taxes receivable	20,101	-
Inventories (note 6)	3,487,732	2,869,189
Prepaid expenses	268,331	125,164
Total current assets	<u>8,590,005</u>	<u>8,470,862</u>
<b>Non-current assets</b>		
Property and equipment (note 7)	1,240,423	1,351,677
Right-of-use assets (note 14)	848,780	938,462
Goodwill and intangible assets (note 10)	24,876,753	25,472,586
Total non-current assets	<u>26,965,956</u>	<u>27,762,725</u>
<b>Total assets</b>	<u>35,555,961</u>	<u>36,233,587</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	2,777,915	2,221,394
Income taxes payable	-	75,287
Borrowings (note 11)	1,032,656	927,692
Lease liabilities (note 14)	70,886	135,084
Convertible debentures (note 12)	11,059,168	10,031,770
Convertible preferred shares (note 12)	2,344,961	2,137,833
Embedded derivatives (note 12)	4,454,698	3,981,998
Total current liabilities	<u>21,740,284</u>	<u>19,511,058</u>
<b>Non-current liabilities</b>		
Borrowings (note 11)	9,501,651	10,028,733
Lease liabilities (note 14)	773,814	788,408
Deferred tax liabilities	1,478,118	1,829,142
Total non-current liabilities	<u>11,753,583</u>	<u>12,646,283</u>
<b>Total liabilities</b>	<u>33,493,867</u>	<u>32,157,341</u>
<b>Equity</b>		
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	994,567	899,145
Deficit	(13,947,660)	(11,838,086)
<b>Total equity</b>	<u>2,062,094</u>	<u>4,076,246</u>
<b>Total equity and liabilities</b>	<u>35,555,961</u>	<u>36,233,587</u>

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) Income

	Three months ended June 30,		Six months ended June 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
<b>Revenue</b> (note 5)	6,140,758	2,549,664	11,298,053	4,895,939
<b>Cost of sales</b>	2,946,755	1,044,399	5,497,889	2,096,944
<b>Gross profit</b>	3,194,003	1,505,265	5,800,164	2,798,995
<b>Expenses</b>				
Sales and marketing (note 15)	1,013,172	557,461	1,846,037	1,094,915
General and administrative (note 15)	1,702,791	493,843	2,686,901	803,212
Distribution (note 15)	378,623	92,866	681,641	201,068
Regulatory (note 15)	5,193	26,415	17,830	35,561
Depreciation and amortization (notes 7, 10 and 14)	281,035	196,090	670,027	393,708
Share-based compensation (note 13)	47,711	42,151	95,422	84,302
	3,428,525	1,408,826	5,997,858	2,612,766
<b>Other (income) expense</b>	(234,522)	96,439	(197,694)	186,229
Interest expense	820,516	99,934	1,612,522	191,230
Change in fair value of embedded derivatives (note 12)	154,956	(76,304)	472,700	(153,878)
Foreign exchange loss (gain)	17,812	4,782	4,277	(8,276)
Change in fair value of contingent consideration	-	-	-	72,972
Other income	-	-	(10,000)	(23,940)
<b>(Loss) income before income taxes</b>	(1,227,806)	68,027	(2,277,193)	108,121
<b>Current income tax expense</b>	126,911	-	183,405	-
<b>Deferred income tax recovery</b>	(254,915)	-	(351,024)	-
	(128,004)	-	(167,619)	-
<b>Net (loss) income and comprehensive (loss) income for the period</b>	(1,099,802)	68,027	(2,109,574)	108,121
<b>Basic (loss) earnings per share for the period</b> (note 18)	(0.08)	0.01	(0.14)	0.01
<b>Diluted (loss) earnings per share for the period</b> (note 18)	(0.08)	0.00	(0.14)	0.00

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

	<b>Six months ended June 30, 2022</b>					
	<b>Share capital \$</b>	<b>Equity component of convertible debentures \$</b>	<b>Warrants \$</b>	<b>Contributed surplus \$</b>	<b>Deficit \$</b>	<b>Total \$</b>
<b>Balance – Beginning of period</b>	9,689,144	2,005,112	3,320,931	899,145	(11,838,086)	4,076,246
Net loss for the period	-	-	-	-	(2,109,574)	(2,109,574)
Share-based compensation expense	-	-	-	95,422	-	95,422
<b>Balance – End of period</b>	<b>9,689,144</b>	<b>2,005,112</b>	<b>3,320,931</b>	<b>994,567</b>	<b>(13,947,660)</b>	<b>2,062,094</b>
	<b>Six months ended June 30, 2021</b>					
	<b>Share capital \$</b>	<b>Equity component of convertible debentures \$</b>	<b>Warrants \$</b>	<b>Contributed surplus \$</b>	<b>Deficit \$</b>	<b>Total \$</b>
<b>Balance – Beginning of period</b>	8,051,894	2,005,112	2,916,179	718,154	(10,869,147)	2,822,192
Net income for the period	-	-	-	-	108,121	108,121
Share-based compensation expense	-	-	-	84,302	-	84,302
<b>Balance – End of period</b>	<b>8,051,894</b>	<b>2,005,112</b>	<b>2,916,179</b>	<b>802,456</b>	<b>(10,761,026)</b>	<b>3,014,615</b>

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

	<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net (loss) income for the period	(2,109,574)	108,121
Adjustments to reconcile loss before tax to net cash flows		
Depreciation of property and equipment (note 7)	139,673	2,737
Depreciation of right-of-use assets (note 14)	89,682	45,822
Amortization of intangible assets (note 10)	595,833	345,150
Amortization of financing fees	20,504	20,086
Forgiveness on repayment of borrowings (note 16)	(10,000)	-
Interest expense (notes 11, 12 and 14)	1,280,604	101,760
Change in fair value of embedded derivatives (note 12)	472,700	(153,878)
Change in fair value of contingent consideration	-	72,972
Share-based compensation expense (note 13)	95,422	84,302
Income tax recovery	(167,619)	-
Income tax paid	(278,793)	(82,490)
Working capital changes		
Trade and other receivables	(750,530)	(100,010)
Inventories	(618,543)	173,082
Prepaid expenses	(143,167)	(230,660)
Accounts payable and accrued liabilities	569,081	549,423
	<u>(814,727)</u>	<u>936,417</u>
<b>Investing activities</b>		
Purchase of property and equipment (note 7)	(40,979)	-
Payment of contingent consideration	-	(600,000)
	<u>(40,979)</u>	<u>(600,000)</u>
<b>Financing activities</b>		
Repayment of borrowings (note 11)	(459,554)	(30,000)
Payment of principal portion of lease liabilities (note 14)	(97,938)	(23,814)
Proceeds from issuance of convertible debentures	-	25,000
Proceeds from issuance of convertible preferred shares	-	72,500
Financing fees paid	-	(7,175)
	<u>(557,492)</u>	<u>36,511</u>
<b>(Decrease) increase in cash during the period</b>	<b>(1,413,198)</b>	<b>372,928</b>
<b>Cash – Beginning of period</b>	<b>4,351,857</b>	<b>2,129,290</b>
<b>Cash – End of period</b>	<b>2,938,659</b>	<b>2,502,218</b>
<b>Supplementary information</b>		
Interest paid	311,675	54,048

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

June 30, 2022

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### 1 Nature of operations

Grey Wolf Animal Health Inc. and its subsidiaries (the Company) is a private company 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 compound innovative branded and generic products for sale in Canada.

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

#### COVID-19 pandemic

The global outbreak of COVID-19 continues to be a threat to the global economy. The extent to which the COVID-19 pandemic may continue to impact the Company's business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the pandemic, travel restrictions and social distancing in Canada, the United States and other countries, business closures or business disruptions and the effectiveness of actions taken by governments around the globe to contain and treat the disease. The measures taken to date have caused material disruptions to businesses globally, resulting in an economic slowdown.

As of the date of approval of these interim condensed consolidated financial statements, there has not been a material adverse impact on the Company's business due to the COVID-19 pandemic. The Company is in close contact with all of its suppliers and distributors and it has not experienced any material issues such as business interruptions, requests for changes in terms, supply shortages or similar negative impacts.

### 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 October 27, 2022.

# Grey Wolf Animal Health Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

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### 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.

There have been no material revisions to the nature of estimates 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 June 30,		Six months ended June 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Types of revenue				
Product revenue	5,515,552	1,890,276	10,257,917	3,875,391
Commissions and other revenue	625,206	659,388	1,040,136	1,020,548
Total revenue	6,140,758	2,549,664	11,298,053	4,895,939

# Grey Wolf Animal Health Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

### 6 Inventories

	June 30, 2022 \$	December 31, 2021 \$
Raw materials	969,522	1,118,510
Finished goods	2,568,210	1,800,679
Inventory reserve	(50,000)	(50,000)
	<u>3,487,732</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) income as part of cost of sales was \$2,444,204 and \$4,612,461 for the three and six months ended June 30, 2022, respectively (2021 – \$1,044,399 and \$2,096,944).

### 7 Property and equipment

	Office furniture and equipment \$	Computer equipment and software \$	Lab equipment \$	Leasehold improve- ments \$	Total \$
<b>Cost</b>					
Balance at December 31, 2021	69,283	32,662	121,734	1,234,911	1,458,590
Additions	860	27,559	-	-	28,419
Balance at June 30, 2022	<u>70,143</u>	<u>60,221</u>	<u>121,734</u>	<u>1,234,911</u>	<u>1,487,009</u>
<b>Depreciation and impairment</b>					
Balance at December 31, 2021	8,787	11,169	10,465	76,492	106,913
Depreciation	6,072	8,283	16,692	108,626	139,673
Balance at June 30, 2022	<u>14,859</u>	<u>19,452</u>	<u>27,157</u>	<u>185,118</u>	<u>246,586</u>
<b>Net book value</b>					
December 31, 2021	<u>60,496</u>	<u>21,493</u>	<u>111,269</u>	<u>1,158,419</u>	<u>1,351,677</u>
June 30, 2022	<u>55,284</u>	<u>40,769</u>	<u>94,577</u>	<u>1,049,793</u>	<u>1,240,423</u>

Depreciation included in cost of sales for the six months ended June 30, 2022 was \$116,784 (June 30, 2021 – \$nil).

# Grey Wolf Animal Health Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

### 8 Share capital

Authorized

Unlimited number of common shares without par value

Issued and outstanding

	Number of shares	
	June 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 have the following 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.

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
		<b>Investor warrants</b>	<b>Broker warrants</b>	<b>Total warrants</b>
<b>Balance at December 31, 2021 and June 30, 2022</b>		2,192,800	720,000	2,912,800

# Grey Wolf Animal Health Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

### 10 Goodwill and intangible assets

Intangible assets of the Company consisted of the following:

	Goodwill \$	Product right \$	Customer relationships \$	Brand \$	Pre-1954 Charter \$	Total \$
<b>Cost</b>						
At December 31, 2021	13,889,254	2,070,900	6,800,000	2,700,000	2,300,000	27,760,154
At June 30, 2022	13,889,254	2,070,900	6,800,000	2,700,000	2,300,000	27,760,154
<b>Amortization and impairment</b>						
At December 31, 2021	-	2,070,900	216,668	-	-	2,287,568
Amortization	-	-	595,833	-	-	595,833
At June 30, 2022	-	2,070,900	812,501	-	-	2,883,401
<b>Net book value</b>						
At December 31, 2021	13,889,254	-	6,583,332	2,700,000	2,300,000	25,472,586
At June 30, 2022	13,889,254	-	5,987,499	2,700,000	2,300,000	24,876,753

### 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	-	(459,554)	(459,554)
Interest and accretion expense	-	312,337	312,337
Interest paid	-	(264,901)	(264,901)
Balance at June 30, 2022	40,000	10,494,307	10,534,307
Current borrowings	40,000	992,656	1,032,656
Non-current borrowings	-	9,501,651	9,501,651
	40,000	10,494,307	10,534,307

# Grey Wolf Animal Health Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

### 12 Convertible debentures, convertible preferred shares and embedded derivatives

#### Convertible debentures

	June 30, 2022 \$	December 31, 2021 \$
2018 convertible debentures	758,959	645,959
2020 convertible debentures	959,154	914,110
2021 convertible debentures	9,341,055	8,471,701
	<u>11,059,168</u>	<u>10,031,770</u>
Current portion	11,059,168	10,031,770
Non-current portion	-	-

#### Convertible preferred shares

	June 30, 2022 \$	December 31, 2021 \$
2020 convertible preferred shares	325,953	306,730
2021 convertible preferred shares	2,019,008	1,831,103
	<u>2,344,961</u>	<u>2,137,833</u>
Current portion	2,344,961	2,137,833
Non-current portion	-	-

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

#### Embedded derivatives

	June 30, 2022 \$	December 31, 2021 \$
2020 convertible debentures	444,146	468,596
2020 convertible preferred shares	163,367	172,657
2021 convertible debentures	3,163,431	2,747,000
2021 convertible preferred shares	683,754	593,745
	<u>4,454,698</u>	<u>3,981,998</u>
Current portion	4,454,698	3,981,998
Non-current portion	-	-

# Grey Wolf Animal Health Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

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### 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	
	June 30, 2022	December 31, 2021
2020 convertible preferred shares	340,736	340,736
2021 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.

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

# Grey Wolf Animal Health Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

### 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 June 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 – 25.2%	1% increase (decrease) would result in a decrease (increase) of \$9,995 (\$10,158) in the fair value
2021 convertible preferred shares – embedded conversion options	DCF method	Discount for counterparty credit risk	2022 – 25.2%	1% increase (decrease) would result in a decrease (increase) of \$2,160 (\$2,196) 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 – 25.2%	2021 Issuances - 1% increase (decrease) would result in a decrease (increase) of \$7 (\$9) in the fair value 2020 Issuances - 1% increase (decrease) would result in a decrease (increase) of \$200 (\$168) 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 – 25.2%	2021 Issuances - 1% increase (decrease) would result in a decrease (increase) of \$21 (\$27) in the fair value 2020 Issuances - 1% increase (decrease) would result in a decrease (increase) in value of \$114 (\$105) 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.

Share-based compensation expense for the three and six months ended June 30, 2022 was \$47,711 and \$95,422, respectively (June 30, 2021 – \$42,151 and \$84,302).

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

# Grey Wolf Animal Health Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

	Number of stock options	Weighted average exercise price \$
<b>Balance at December 31, 2021 and June 30, 2022</b>	<u>1,383,500</u>	<u>1.26</u>

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

Exercise price \$	Number of stock options	Weighted average remaining contractual life in years	Number of outstanding exercisable
0.88	345,000	4.87	345,000
1.30	570,000	6.52	570,000
1.50	468,500	8.68	90,167
	<u>1,383,500</u>	<u>6.96</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 two 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 \$
<b>As at December 31, 2021</b>	935,186	3,276	938,462
Depreciation expense	<u>87,224</u>	<u>2,458</u>	<u>89,682</u>
<b>As at June 30, 2022</b>	<u>847,962</u>	<u>818</u>	<u>848,780</u>

Depreciation included in cost of sales for the six months ended June 30, 2022 was \$38,377 (June 30, 2021 – \$nil).

# Grey Wolf Animal Health Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

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

	\$
<b>As at December 31, 2021</b>	923,492
Payments	(97,938)
Accretion of interest	19,146
	<u>844,700</u>
<b>As at June 30, 2022</b>	<u>844,700</u>

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

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	\$	\$
Current lease liabilities	70,886	135,084
Non-current lease liabilities	773,814	788,408
	<u>844,700</u>	<u>923,492</u>
Total	<u>844,700</u>	<u>923,492</u>

### 15 Nature of expenses

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	\$	\$	\$	\$
<b>Sales and marketing</b>				
Salary, bonus, benefits	649,155	424,616	1,204,586	824,291
Travel, meals, business expenses	60,742	39,772	114,376	72,163
Professional and outside services	70,013	21,186	141,861	51,221
Advertising and promotion	183,573	61,873	309,344	126,322
Other expenses	49,689	10,014	75,870	20,918
	<u>1,013,172</u>	<u>557,461</u>	<u>1,846,037</u>	<u>1,094,915</u>
Total sales and marketing	<u>1,013,172</u>	<u>557,461</u>	<u>1,846,037</u>	<u>1,094,915</u>
	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	\$	\$	\$	\$
<b>General and administrative</b>				
Salary, bonus, benefits	459,602	203,703	894,902	416,163
Travel, meals, business expenses	8,151	1,034	12,007	1,131
Professional and outside services	1,098,680	264,204	1,534,773	337,617
Other expenses	136,358	24,902	245,219	48,301
	<u>1,702,791</u>	<u>493,843</u>	<u>2,686,901</u>	<u>803,212</u>
Total general and administrative	<u>1,702,791</u>	<u>493,843</u>	<u>2,686,901</u>	<u>803,212</u>

# Grey Wolf Animal Health Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

	Three months ended June 30,		Six months ended June 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
<b>Distribution</b>				
Salary, bonus, benefits	44,345	37,052	89,351	86,398
Travel, meals, business expenses	1,577	1,560	3,313	3,120
Professional and outside services	175	169	350	530
Other expenses	22,987	18,699	47,194	19,354
Freight expense	309,539	35,386	541,433	91,666
Total distribution	378,623	92,866	681,641	201,068
	Three months ended June 30,		Six months ended June 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
<b>Regulatory</b>				
Professional and outside services	5,193	26,415	17,830	35,561
Total regulatory	5,193	26,415	17,830	35,561

### 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 to 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 June 30, 2022, \$nil was recorded in relation to legal claims (December 31, 2021 – \$nil).

# Grey Wolf Animal Health Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

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### 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.

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 Earnings (loss) per share

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

	Three months ended June 30,		Six months ended June 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Net (loss) income for the period	(1,099,802)	68,027	(2,109,574)	108,121
Weighted average number of common shares	14,662,989	13,571,489	14,662,989	13,571,489
Basic (loss) earnings per share	(0.08)	0.01	(0.14)	0.01
Diluted (loss) earnings per share	(0.08)	0.00	(0.14)	0.00

Of the 1,383,500 stock options and 2,912,800 warrants not included in the calculation of diluted (loss) earnings per share for the three and six months ended June 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.

# Grey Wolf Animal Health Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

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### Pharmacy business unit

The Pharmacy business unit, which was acquired on completion of the Trutina and TruBalance acquisition on September 1, 2021, compounds pharmaceuticals, primarily for equine use but also for the bio-identical hormone replacement therapy market, all based on prescriptions received from veterinarians, physicians and patients.

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 six months ended June 30, 2022 and as at and for the year ended December 31, 2021. The Company had two operating segments following the acquisition of Trutina and TruBalance on September 1, 2021.

	<b>Three months ended June 30, 2022</b>		
	<b>Animal Health \$</b>	<b>Pharmacy \$</b>	<b>Total \$</b>
Revenue	2,728,473	3,412,285	6,140,758
Cost of sales	1,205,276	1,741,479	2,946,755
Gross profit	1,523,197	1,670,806	3,194,003

	<b>Six months ended June 30, 2022</b>		
	<b>Animal Health \$</b>	<b>Pharmacy \$</b>	<b>Total \$</b>
Revenue	5,370,391	5,927,662	11,298,053
Cost of sales	2,462,151	3,035,738	5,497,889
Gross profit	2,908,240	2,891,924	5,800,164

# Grey Wolf Animal Health Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

	As at and for the six-month period ended June 30, 2022		
	Animal Health \$	Pharmacy \$	Total \$
Total assets	7,156,387	28,399,574	35,555,961
Total liabilities	29,391,748	4,102,119	33,493,867
Property and equipment	29,578	1,210,845	1,240,423
Right-of-use assets	819	847,961	848,780
Goodwill and intangible assets	1,712,336	23,164,417	24,876,753
Additions to property and equipment and intangible assets	27,559	860	28,419
Depreciation and amortization	51,799	773,389	825,188

	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 six months ended June 30, 2022, the Company paid a total of \$4,910 and \$9,796, respectively (2021 – \$4,835 and \$9,645), to a related security holder for advisory services, accounting and bookkeeping services and office rent. As at June 30, 2022, \$1,000 (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.

# Grey Wolf Animal Health Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

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### 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 June 30,		Six months ended June 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Salary, benefits, director fees and bonus	331,351	269,987	669,746	554,352
Share-based compensation expense	47,711	36,697	95,422	73,394
	<u>379,062</u>	<u>306,684</u>	<u>765,168</u>	<u>627,746</u>

### 21 Subsequent events

On March 16, 2022, subsequently amended July 29, 2022, Magen Ventures I Inc. (Magen) and the Company entered into a binding agreement (the Definitive Agreement) to conduct the qualifying transaction, pursuant to which Magen will acquire all of the issued and outstanding Company shares in exchange for the issuance of resulting issuer shares. The transaction will be structured as a three-cornered amalgamation. Magen, a capital pool company (CPC), intends for the transaction to constitute a qualifying transaction under Policy 2.4 of the TSX Venture Exchange.

On the terms and subject to the conditions set forth in the Definitive Agreement, Magen and the Company propose to effect a business combination transaction pursuant to which (i) the Company and Subco (a newly created subsidiary of Magen) will amalgamate and continue as Amalco; (ii) the combined business and assets of the Company will become the business and assets of Amalco; (iii) Amalco will continue as a wholly owned subsidiary of Magen; and (iv) the Company shareholders will become shareholders of Magen.

Pursuant to the amalgamation, among other things: (i) each Company common share outstanding immediately prior to the amalgamation will be exchanged for one post-consolidation Magen share; (ii) each outstanding Subco share will be exchanged for one fully paid Amalco share.

In addition to the amalgamation, there are several transactions that are expected to occur concurrently or proximate to the amalgamation, including the share consolidation, name change, Magen Director appointments and change of auditor.

Prior to the amalgamation, Magen will complete the share consolidation of the Magen shares pursuant to the consolidation ratio, so that there will be approximately 3,599,993 Magen shares issued and outstanding after the consolidation, as well as the Magen options or Magen broker warrants which will then be exercisable to acquire approximately 551,999 Magen shares.

Immediately prior to the amalgamation, the 2021 convertible debentures and convertible preferred shares of the Company will convert into Company common shares in accordance with their terms. In addition, the

# **Grey Wolf Animal Health Inc.**

## Notes to Interim Condensed Consolidated Financial Statements

**June 30, 2022**

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principal portions of the 2018 convertible debentures, the 2020 convertible debentures and the 2020 convertible preferred shares will also be converted into common shares in accordance with their terms.

After the amalgamation, Magen is expected to change its name to Grey Wolf Animal Health Corp. or such other name as is agreed to by the parties.

**SCHEDULE "E"**  
**FINANCIAL STATEMENTS OF TRUTINA**

# **Trutina Pharmacy Inc.**

Financial Statements  
**August 31, 2021, December 31, 2020  
and January 1, 2020**



## Independent auditor's report

To the Shareholders of Trutina Pharmacy Inc.

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### Our qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Trutina Pharmacy Inc. (the Company) as at August 31, 2021, December 31, 2020 and January 1, 2020, and its financial performance and its cash flows for the period from January 1, 2021 to August 31, 2021 and for the year ended December 31, 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

#### What we have audited

The Company's financial statements comprise:

- the balance sheets as at August 31, 2021, December 31, 2020 and January 1, 2020;
- the statements of income and comprehensive income for the period from January 1, 2021 to August 31, 2021 and for the year ended December 31, 2020;
- the statements of changes in shareholders' equity for the period from January 1, 2021 to August 31, 2021 and for the year ended December 31, 2020;
- the statements of cash flows for the period from January 1, 2021 to August 31, 2021 and for the year ended December 31, 2020; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### Basis for qualified opinion

We were not engaged as auditors of the Company until after the eight-month period ended August 31, 2021, and, therefore, we were not able to observe the counting of physical inventories at January 1, 2020 or satisfy ourselves concerning those inventories quantities by alternative means. As a result, we were unable to determine whether adjustments to inventories as at January 1, 2020, were needed. Since opening inventories affect the determination of the results of operations and cash flows, we were also unable to determine whether adjustments to the results of operations and cash flows might be necessary for the year ended December 31, 2020.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

PricewaterhouseCoopers LLP  
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5  
T: +1 905 815 6300, F: +1 905 815 6499



### **Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario  
October 28, 2022

# Trutina Pharmacy Inc.

## Balance Sheets

	August 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash	357,244	806,465	277,832
Trade and other receivables	736,753	579,123	566,892
Income taxes receivable (note 12)	-	104,689	-
Inventories (note 5)	1,057,439	1,186,607	764,309
Prepaid expenses	23,295	49,266	46,344
	<u>2,174,731</u>	<u>2,726,150</u>	<u>1,655,377</u>
<b>Property and equipment</b> (note 6)	1,403,885	1,568,035	1,849,386
<b>Right-of-use assets</b> (note 7)	<u>791,069</u>	<u>844,470</u>	<u>924,573</u>
	<u>4,369,685</u>	<u>5,138,655</u>	<u>4,429,336</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	336,400	513,552	386,805
Income taxes payable (note 12)	14,544	-	114,509
Dividends payable	-	360,000	-
Borrowings (note 14)	-	40,000	-
Lease liabilities (note 8)	<u>83,111</u>	<u>50,783</u>	<u>48,467</u>
	434,055	964,335	549,781
<b>Lease liabilities</b> (note 8)	809,356	875,326	926,109
<b>Deferred tax liabilities</b> (note 12)	197,868	168,773	124,932
<b>Class B Series 3 Special shares</b> (note 9)	<u>1,637,250</u>	<u>-</u>	<u>-</u>
	<u>3,078,529</u>	<u>2,008,434</u>	<u>1,600,822</u>
<b>Shareholders' Equity</b>			
<b>Share capital</b> (note 10)	1,525,092	100	100
<b>(Deficit) retained earnings</b>	<u>(233,936)</u>	<u>3,130,121</u>	<u>2,828,414</u>
	<u>1,291,156</u>	<u>3,130,221</u>	<u>2,828,514</u>
	<u>4,369,685</u>	<u>5,138,655</u>	<u>4,429,336</u>

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

# Trutina Pharmacy Inc.

## Statements of Income and Comprehensive Income

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	Eight-month period ended August 31, 2021 \$	Year ended December 31, 2020 \$
<b>Revenue</b> (note 5)	6,757,185	8,533,562
<b>Cost of sales</b>	3,498,924	4,475,641
<b>Gross profit</b>	3,258,261	4,057,921
<b>Expenses</b>		
Sales and marketing (note 13)	472,844	667,849
Distribution (note 13)	512,054	530,530
General and administrative (note 13)	646,519	819,189
Depreciation	30,354	49,110
<b>Income before the undernoted</b>	1,661,771	2,066,678
	1,596,490	1,991,243
<b>Interest expense</b>	26,705	21,756
<b>Income before income taxes</b>	1,569,785	1,969,487
<b>Income tax expense</b> (note 12)	361,600	467,780
<b>Net income and comprehensive income for the period</b>	1,208,185	1,501,707
<b>Earnings</b> – per share (note 17)		
Basic and diluted	12,082	15,017

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

# Trutina Pharmacy Inc.

## Statements of Changes in Shareholders' Equity

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	Issued capital \$	(Deficit) retained earnings \$	Total \$
<b>Balance – January 1, 2020</b>	100	2,828,414	2,828,514
Net income for the year	-	1,501,707	1,501,707
Dividends	-	(1,200,000)	(1,200,000)
		<hr/>	<hr/>
<b>Balance – December 31, 2020</b>	100	3,130,121	3,130,221
Increase in Class B Series 4 Special shares stated capital (note 9)	1,525,000	(1,525,000)	-
Class B Series 3 Special shares (note 9)	(8)	(1,637,242)	(1,637,250)
Net income for the period	-	1,208,185	1,208,185
Dividends	-	(1,410,000)	(1,410,000)
		<hr/>	<hr/>
<b>Balance – August 31, 2021</b>	<u>1,525,092</u>	<u>(233,936)</u>	<u>1,291,156</u>

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

# Trutina Pharmacy Inc.

## Statements of Cash Flows

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	<b>Eight-month period ended August 31, 2021</b>	<b>Year ended December 31, 2020</b>
	\$	\$
<b>Cash provided (used in)</b>		
<b>Operating activities</b>		
Net income for the period	1,208,185	1,501,707
Adjustments to reconcile loss before tax to net cash flows		
Depreciation of property and equipment (note 6)	178,952	286,851
Depreciation of right-of-use assets (note 7)	53,401	80,103
Interest expense (note 8)	26,705	21,756
Income tax expense (note 12)	361,600	467,780
Income tax paid	(213,272)	(643,137)
Changes in non-cash working capital		
Trade and other receivables	(157,630)	(12,231)
Inventories	129,168	(422,298)
Prepaid expenses	25,971	(2,922)
Accounts payable and accrued liabilities	(177,152)	126,747
	<u>1,435,928</u>	<u>1,404,356</u>
<b>Investing activities</b>		
Purchase of property and equipment (note 6)	<u>(14,802)</u>	<u>(5,500)</u>
<b>Financing activities</b>		
Proceeds from borrowings (note 14)	-	40,000
Repayment of borrowings (note 14)	(40,000)	-
Payment of dividends	(1,770,000)	(840,000)
Payment of interest on lease liabilities (note 8)	(26,705)	(21,756)
Payment of principal portion of lease liabilities (note 8)	<u>(33,642)</u>	<u>(48,467)</u>
	<u>(1,870,347)</u>	<u>(870,223)</u>
<b>(Decrease) increase in cash and cash equivalents during the period</b>	(449,221)	528,633
<b>Cash and cash equivalents – Beginning of period</b>	<u>806,465</u>	<u>277,832</u>
<b>Cash and cash equivalents – End of period</b>	<u>357,244</u>	<u>806,465</u>
<b>Dividends payable at year-end</b>	-	360,000

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

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

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### 1 Nature of operations

Trutina Pharmacy, Inc. (the Company) is a private company existing under the Business Corporations Act (Ontario). Trutina is an independent Canadian compounding pharmacy that specializes in the formulation of innovative compounds for their customers.

The Company's head office is located at 50 Bittern Street, Ancaster, Ontario L9G 4V5.

#### COVID-19 pandemic

The global outbreak of the COVID-19 continues to be a threat to the global economy. The extent to which the COVID-19 pandemic may continue to impact the Company's business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the pandemic, travel restrictions and social distancing in Canada, the United States and other countries, business closures or business disruptions and the effectiveness of actions taken by governments around the globe to contain and treat the disease. The measures taken to date have caused material disruptions to businesses globally, resulting in an economic slowdown.

As of the date of these financial statements, there has not been a material adverse impact on the Company's business due to the COVID-19 pandemic. The Company is in close contact with all its suppliers, and it has not experienced any material issues such as business interruptions, requests for changes in terms, supply shortages or similar negative impacts.

### 2 Basis of preparation

#### Basis of presentation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). For all years up to and including the year ended December 31, 2020, the Company prepared its financial statements in accordance with Canadian Accounting Standards for Private Enterprises (ASPE). These financial statements for the eight-months ended August 31, 2021 and the year ended December 31, 2020 and as at January 1, 2020 are the first the Company has prepared in accordance with IFRS.

The financial statements have been prepared using the accrual basis of accounting, at historical cost.

The financial statements are presented in Canadian dollars, unless otherwise indicated.

These financial statements were approved by the Board of Directors on October 27, 2022.

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

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### 3 Summary of significant accounting policies

#### Revenue recognition

Revenue is recognized when control of goods or services provided by the Company is transferred to the customer, at an amount reflecting the consideration the Company expects to receive from the customer in exchange for those goods or services.

The Company sells prescription compounded and pharmaceutical products. The following provides information about the nature and timing of the satisfaction of performance obligations in contracts and the related revenue recognition policies.

There are no significant judgments or estimates required in determining the Company's performance obligations, because the majority of the Company's revenue is recognized when goods are shipped to the customer as the compounded product is manufactured. As revenue is typically recognized at amounts agreed in advance with customers, no significant estimates are required in determining transaction prices.

Revenues are recognized net of any taxes collected from customers that are subsequently remitted to governmental authorities.

Revenue from product sales is recognized when control of the asset is transferred to the customer, generally on shipment of the product to the customer or as the compounded product is manufactured.

#### Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that they relate to a business combination or items recognized directly in equity.

- Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

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- Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Foreign currency transactions**

The financial statements are presented in Canadian dollars, which is the functional currency of the Company. Items included in the financial statements are measured using the functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are remeasured to the functional currency at the closing exchange rate as at the dates of the balance sheets. Foreign currency differences arising on re-measurement are recognized through profit or loss.

Non-monetary items that are measured in terms of historical cost are translated into the functional currency at the exchange rate at the date of the original transaction.

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

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### Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- raw materials: purchase cost on a first-in/first-out basis; and
- finished goods: the purchase and labour cost, duty, brokerage and transportation costs to bring the inventory to the Company's premises.

When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed up to the lower of net realizable value and cost.

### Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment.

Items of property and equipment are depreciated over the estimated useful lives of the assets, as follows:

Office furniture and equipment	20% declining balance
Computer equipment and software	30% declining balance
Lab equipment	30% declining balance
Leasehold improvements	Straight-line over the term of the lease

The residual values, useful lives, and methods of depreciation of property and equipment are reviewed at each financial period end and adjusted prospectively, if appropriate.

### Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets such as office equipment. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

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Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Premises leases

Term of the lease

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

Lease payments included in the measurement of the lease liability comprise of:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

### **Impairment of non-financial assets**

- Timing of impairment testing

The carrying amounts of the Company's non-financial assets, other than inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated.

- Measurement of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

# Trutina Pharmacy Inc.

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- Recognition of impairment loss

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis. To allocate an impairment loss, the assets are not impaired below the higher of their fair value less exercise costs and their value in use (if determinable) or zero.

### Financial instruments

Financial assets and financial liabilities are recognized in the balance sheets when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade and other receivables that do not have a significant financing component, which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

- Classification and measurement of financial assets

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Company's financial assets at amortized cost include cash and trade and other receivables.

Cash in the balance sheets comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less.

For trade and other receivables, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has a simplified method for measured expected credit losses that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

# Trutina Pharmacy Inc.

## Notes to Financial Statements

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The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

- Classification and measurement of financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities, dividends payable and borrowings. All financial liabilities are recognized initially at fair value and, in the case of borrowings and accounts payable and accrued liabilities, net of directly attributable transaction costs.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of income and comprehensive income.

- Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheets if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

### **Government assistance**

The Company recognizes government assistance when there is reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received. The Company recognizes government assistance as a reduction to the related expense or asset that the assistance is intended to offset.

### **New and revised IFRS standards not yet effective**

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS standards that are not yet effective.

Amendments to International Accounting Standard (IAS) 1 – Presentation of Financial Statements (IAS 1): the amendments affect only the presentation of liabilities in the balance sheets, not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the “right” to defer settlement by at least 12 months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that

# Trutina Pharmacy Inc.

## Notes to Financial Statements

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settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The effective date of the amendments to IAS 1 is on or after January 1, 2023, with earlier application permitted. The Company is currently evaluating the impact this standard will have on its financial statements.

Amendment to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: the amendment replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. These amendments are applicable for annual periods beginning on or after January 1, 2023. The Company is currently evaluating the impact this amendment will have on the Company’s financial statements.

### 4 Significant accounting judgments, estimates and assumptions

In general, the 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 financial statements. In the Company’s case, there were no significant judgments identified for the periods presented. Estimates in the financial statements include trade and other receivables, expected credit loss and the estimated useful lives of property and equipment and right-of-use assets. The Company does not consider any of these estimates to be significant.

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.

### 5 Inventories

	August 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$
Raw materials	920,909	1,099,746	695,041
Finished goods	136,530	86,861	69,268
	<u>1,057,439</u>	<u>1,186,607</u>	<u>764,309</u>

The cost of inventory recognized as an expense and included in the statements of income and comprehensive income as part of cost of sales was \$3,350,054 for the eight-month period ended August 31, 2021 (year ended December 31, 2020 – \$4,237,497).

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

### 6 Property and equipment

	Office furniture and equipment \$	Computer equipment and software \$	Lab equipment \$	Leasehold improvements \$	Total \$
<b>Cost</b>					
Balance at January 1, 2020	227,577	98,989	538,493	2,172,515	3,037,574
Additions	-	-	5,500	-	5,500
Balance at December 31, 2020	227,577	98,989	543,993	2,172,515	3,043,074
Additions	2,580	259	11,963	-	14,802
Balance at August 31, 2021	230,157	99,248	555,956	2,172,515	3,057,876
<b>Depreciation and impairment</b>					
Balance at January 1, 2020	145,920	64,317	398,356	579,595	1,188,188
Depreciation	16,331	10,402	42,866	217,252	286,851
Balance at December 31, 2020	162,251	74,719	441,222	796,847	1,475,039
Depreciation	8,710	4,854	20,554	144,834	178,952
Balance at August 31, 2021	170,961	79,573	461,776	941,681	1,653,991
<b>Net book value</b>					
August 31, 2021	59,196	19,675	94,180	1,230,834	1,403,885
December 31, 2020	65,326	24,270	102,771	1,375,668	1,568,035
January 1, 2020	81,657	34,672	140,137	1,592,920	1,849,386

Depreciation included in cost of sales is \$155,274 for the eight-month period ended August 31, 2021 (December 31, 2020 – \$247,754).

### 7 Right-of-use assets

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

	Property \$
As at January 1, 2020	924,573
Depreciation	(80,103)
As at December 31, 2020	844,470
Depreciation	(53,401)
As at August 31, 2021	791,069

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

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### 8 Lease liabilities

The Company has a lease contract for its office property. The lease of office property has an initial term of three years with several extension options. Management exercises judgment in determining whether these extension options are reasonably certain to be exercised. Management has assumed that the extension options will be renewed. The rental payments for the property lease extensions will be adjusted at the time of extension based on the market rate at that date.

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

	\$		
As at January 1, 2020	974,576		
Payments	(70,223)		
Accretion of interest	21,756		
	<hr/>		
As at December 31, 2020	926,109		
Payments	(60,347)		
Accretion of interest	26,705		
	<hr/>		
As at August 31, 2021	<hr/>		
	892,467		
	<hr/>		
	\$	\$	\$
	<b>August 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
	\$	\$	\$
Current lease liabilities	83,111	50,783	48,467
Non-current lease liabilities	809,356	875,326	926,109
	<hr/>	<hr/>	<hr/>
	892,467	926,109	974,576
	<hr/>	<hr/>	<hr/>

### 9 Financial assets and financial liabilities

#### Financial assets

Financial assets for the Company consist of the following:

	August 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$
Financial assets at amortized cost			
Cash	357,244	806,465	277,832
Trade and other receivables	736,753	579,123	566,892

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

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### Financial liabilities

Financial liabilities for the Company consist of the following:

	August 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$
Financial liabilities			
Accounts payable and accrued liabilities	336,400	513,552	386,805
Dividends payable	-	360,000	-
Borrowings	-	40,000	-
Class B Series 3 Special shares	1,637,250	-	-

### Borrowings

On April 24, 2020, the Company received a \$40,000 loan from the Canada Emergency Business Account (CEBA Loan). See note 14.

### Fair value

All financial assets of the Company are carried at amortized cost in the financial statements, and for all financial assets, the carrying value approximates fair value because of their nature and relatively short maturity dates.

The Company believes that the carrying values of accounts payable and accrued liabilities, dividends payable and lease liabilities approximate their current fair values because of their natures and relatively short maturity dates or durations and current market rates for similar instruments

## 10 Share capital

### Authorized

- Unlimited number of voting Class A Special shares
- Unlimited number of non-voting Class B Series 1 Special shares
- Unlimited number of voting Class B Series 2 Special shares
- 1,637,250 non-voting Class B Series 3 Special shares, redeemable and retractable at \$1 per share
- Unlimited number of voting Class B Series 4 Special shares

### Issued and outstanding

	August 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$
Class B Series 1 Special shares (a)	10,000,000	1,000,000	1,000,000
Class B Series 2 Special shares (b)	-	100	100
Class B Series 3 Special shares (b)	1,637,250	-	-
Class B Series 4 Special shares (b and c)	100	-	-

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

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During the eight-month period ended August 31, 2021, the following share transactions occurred:

- the Company subdivided the Class B Series 1 Special shares at a rate of 10 Class B Special shares for each Class B Series 1 Special share outstanding;
- the 100 Class B Series 2 Special shares were converted into 1,637,250 Class B Series 3 Special shares and 100 Class B Series 4 Special shares with a stated capital of \$7.50 and \$92.50, respectively; and
- the stated capital of the Class B Series 4 Special shares was increased by \$1,525,000 to \$1,525,092.50.

### 11 Financial instruments risk management objectives and policies

The Company's principal financial liabilities comprise accounts payable and accrued liabilities, dividends payable, lease liabilities and borrowings. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include cash and trade and other receivables.

The Company is exposed to liquidity risk, interest rate risk and credit risk. The Company's senior management oversees the management of these risks. The Company's senior management ensures that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken.

#### Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations with financial liabilities.

Cash flow forecasting is performed to monitor the Company's liquidity requirements to ensure it has sufficient cash and to meet operational needs at all times.

Liquidity risk encompasses the risk that obligations are not met as they fall due. The Company's main sources of liquidity are its operations and its borrowings. The Company manages liquidity risk by maintaining sufficient cash balances, and through effective cash management and constant monitoring of projected versus actual cash flows, which are updated as considered necessary.

The Company's liquidity and the ability to service its purchase and other commitments, leases, operating agreements, working capital and capital expenditure requirements, is dependent on future financial performance, for which there can be no assurance that the Company will be successful in achieving.

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

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The following table summarizes the undiscounted contractual maturities of the Company's non-derivative financial liabilities at August 31, 2021:

	Carrying value \$	Future cash flows \$	Less than one year \$	2 – 3 years \$	4 – 5 years \$
Accounts payable and accrued liabilities	336,400	336,400	336,400	-	-
Lease liabilities	892,467	1,117,825	98,096	211,343	211,343
	<u>1,228,867</u>	<u>1,454,225</u>	<u>434,496</u>	<u>211,343</u>	<u>211,343</u>

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The functional currency of the Company is the Canadian dollar. Foreign currency risk occurs as a result of foreign exchange rate fluctuations between the time a transaction is recorded and the time it is settled.

The Company purchases goods denominated in foreign currencies and, accordingly, is subject to foreign currency risk. As at August 31, 2021, the Company's accounts payable and accrued liabilities denominated in a foreign currency were \$nil (December 31, 2020 – \$33,427). The Company does not use derivatives to reduce exposure to foreign currency risk.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from cash, which is held with credit worthy institutions, and trade and other receivables. The Company's maximum exposure to credit risk from trade and other receivables is equal to the carrying value of the trade and other receivables balance.

The Company's trade and other receivables are not subject to a significant amount of credit risk. The Company routinely assesses the financial strength of its customers and, as a consequence, believes its trade and other receivables' credit risk exposure is limited. Trade and other receivables past due represents amounts not collected beyond the customer's contractual terms. The Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9 – Financial Instruments, which permits the use of the lifetime expected loss provision for all trade and other receivables. As at August 31, 2021, there were \$191,798 of trade and other receivables that were past due (December 31, 2020 – \$120,244) and were subsequently collected.

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

### 12 Income taxes

	August 31, 2021 \$	December 31, 2020 \$
Current tax expense		
Current year	332,505	423,939
Deferred tax expense		
Origination and reversal of temporary differences	29,095	43,841

A reconciliation of the effective tax rate applicable to the Company is as follows for the eight-month period ended August 31, 2021 and the year ended December 31, 2020:

	August 31, 2021 \$	December 31, 2020 \$
Income before income taxes	1,569,785	1,969,487
Income tax expense at the Company's statutory rate of 26.5% (2020 – 26.5%)	415,993	521,914
Impact on taxes from		
Small business deduction	(47,667)	(71,500)
Non-deductible expenses	2,395	4,061
Other	(9,121)	13,305
	(54,393)	(54,134)
Total tax expense	361,600	467,780

The below outlines the movement in deferred tax balances for the eight-month period ended August 31, 2021 and the year ended December 31, 2020:

	Balance – January 1, 2021 \$	Recognized in profit or loss \$	Balance – August 31, 2021 \$
Property and equipment	(190,407)	(34,332)	(224,739)
Right-of-use assets	(223,785)	14,152	(209,633)
Lease liabilities	245,419	(8,915)	236,504
	(168,773)	(29,095)	(197,868)

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

	Balance – January 1, 2020 \$	Recognized in profit or loss \$	Balance – August 31, 2020 \$
Property and equipment	(138,183)	(52,224)	(190,407)
Right-of-use assets	(245,012)	21,227	(223,785)
Lease liabilities	258,263	(12,844)	245,419
	<u>(124,932)</u>	<u>(43,841)</u>	<u>(168,773)</u>

### 13 Nature of expenses

	Eight-month period ended August 31, 2021 \$	Year ended December 31, 2020 \$
<b>Sales and marketing</b>		
Salary, bonus, benefits	257,357	380,731
Travel, meals, business expense	5,557	14,445
Professional and outside services	203,930	245,698
Advertising and promotion	6,000	26,975
Total sales and marketing	<u>472,844</u>	<u>667,849</u>
<b>Distribution</b>		
Salary, bonus, benefits	36,422	46,438
Freight expense	475,632	484,092
Total distribution	<u>512,054</u>	<u>530,530</u>
<b>General and administrative</b>		
Salary, bonus, benefits	246,775	361,562
Professional and outside services	198,201	220,950
Credit card processing fees	79,300	90,892
Other expenses	122,243	145,785
Total general and administrative	<u>646,519</u>	<u>819,189</u>

### 14 Government grant

On April 24, 2020, the Company received a \$40,000 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 to 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.

As at August 31, 2021, the Company has repaid the CEBA Loan in full.

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

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### 15 Contingencies

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 August 31, 2021, \$nil was recorded in relation to legal claims (December 31, 2020 – \$nil).

### 16 Capital management

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to provide returns for shareholders and benefits for other stakeholders by ensuring it has sufficient cash resources to maintain its ongoing operations.

A summary of the Company's capital structure is as follows:

	August 31, 2021 \$	December 31, 2020 \$	January 1, 2020 \$
Share capital	1,525,092	100	100
Retained earnings (deficit)	(233,936)	3,130,121	2,828,414
	<u>1,291,156</u>	<u>3,130,221</u>	<u>2,828,514</u>

### 17 Earnings per share

The following table shows the calculation of basic and diluted income per Class B voting series 2 special share:

	August 31, 2021 \$	December 31, 2020 \$
Net income for the period	1,208,185	1,501,707
Weighted average number of Class B voting series 2 special shares	100	100
Basic and diluted earnings per Class B voting series 2 special shares	12,082	15,017

### 18 Operating segment

The Company has assessed that it only has one operating segment. All geographic locations of revenue are within Canada and operating results of the business as a whole are monitored by the Chief Operating Decision Maker (CODM) for the purposes of making decisions.

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

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### 19 Related party disclosures

During the eight-month period ended August 31, 2021 and the year ended December 31, 2020, the Company paid a total of \$1,179,116 and \$1,249,705, respectively, to a company controlled by a relative of one of its shareholders, in exchange for raw materials and other items used in the ordinary course of business.

As at August 31, 2021, \$nil (December 31, 2020 – \$204,598) was payable to this supplier and was included in accounts payable and accrued liabilities.

#### Compensation of key management personnel

Key management includes the Company's management team. The remuneration of the management team was \$188,246 for the eight months ended August 31, 2021 (\$269,491 for the twelve-months ended December 31, 2020).

### 20 Subsequent events

The Company was acquired by Grey Wolf Animal Health Inc. on September 1, 2021; therefore, the financial statements reflect the stub period of eight months ended August 31, 2021.

### 21 IFRS transition

The Company previously prepared its financial statements using ASPE. The last set of financial statements prepared under ASPE were for the year ended December 31, 2020. Management elected to prepare its financial statements for the eight-month period ended August 31, 2021 under IFRS and these financial statements are the first financial statements prepared in accordance with IFRS.

The accounting policies set out in these financial statements were applied in preparing the financial statements for the eight-month period ended August 31, 2021, the comparative information presented in these financial statements for the year ended December 31, 2020 and in the preparation of an opening IFRS balance sheet as at January 1, 2020 and reflect all IFRS standards in effect as at August 31, 2021.

The Company also applied certain optional exemptions and mandatory exceptions as applicable for first-time IFRS adopters.

In preparing its opening IFRS balance sheet, the Company adjusted amounts reported previously in its financial statements prepared in accordance with ASPE. An explanation of how the transition from ASPE to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

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### a) Exceptions to retrospective application of IFRS

IFRS 1 – First-time Adoption of IFRS, allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Company has applied the following exemptions:

- financial assets and liabilities that had been derecognized before the date of transition to IFRS have not been recognized under IFRS;
- the estimates used by the Company are in accordance with IFRS and reflect conditions at January 1, 2020, the date of transition to IFRS;
- the Company assessed contracts existing at January 1, 2020 to determine whether a contract contains a lease based upon the conditions in place as at January 1, 2020; and
- lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at January 1, 2020. Hindsight was used in determining the lease term if the contract contains options to extend or terminate the lease. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2020. Initial direct costs have been excluded from the measurement of the right-of use asset at date of transition.

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

### Reconciliation of the balance sheet as at January 1, 2020

	January 1, 2020		
	ASPE	Adjustments	IFRS
	\$	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash	277,832	-	277,832
Trade and other receivables	566,892	-	566,892
Inventories	764,309	-	764,309
Prepaid expenses	46,344	-	46,344
Total current assets	1,655,377	-	1,655,377
<b>Non-current assets</b>			
Property and equipment	1,849,386	-	1,849,386
Right-of-use assets (a)	-	924,573	924,573
Total non-current assets	1,849,386	924,573	2,773,959
<b>Total assets</b>	<b>3,504,763</b>	<b>924,573</b>	<b>4,429,336</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	386,805	-	386,805
Income taxes payable	114,509	-	114,509
Lease liabilities (a)	50,003	(1,536)	48,467
Total current liabilities	551,317	(1,536)	549,781
<b>Non-current liabilities</b>			
Lease liabilities (a)	-	926,109	926,109
Deferred tax liabilities (b)	-	124,932	124,932
Total non-current liabilities	-	1,051,041	1,051,041
<b>Total liabilities</b>	<b>551,317</b>	<b>1,049,505</b>	<b>1,600,822</b>
<b>Shareholder's Equity</b>			
Share capital	100	-	100
Retained earnings (a), (b)	2,953,346	(124,932)	2,828,414
<b>Total equity</b>	<b>2,953,446</b>	<b>(124,932)</b>	<b>2,828,514</b>
<b>Total equity and liabilities</b>	<b>3,504,763</b>	<b>924,573</b>	<b>4,429,336</b>

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

### Reconciliation of the balance sheet as at December 31, 2020

	December 31, 2020		
	ASPE	Adjustments	IFRS
	\$	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash	806,465	-	806,465
Trade and other receivables	579,123	-	579,123
Income taxes receivable	104,689	-	104,689
Inventories	1,186,607	-	1,186,607
Prepaid expenses	49,266	-	49,266
Total current assets	2,726,150	-	2,726,150
<b>Non-current assets</b>			
Property and equipment	1,568,035	-	1,568,035
Right-of-use assets (a)	-	844,470	844,470
Total non-current assets	1,568,035	844,470	2,412,505
<b>Total assets</b>	<b>4,294,185</b>	<b>844,470</b>	<b>5,138,655</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	513,552	-	513,552
Dividends payable	360,000	-	360,000
Borrowings	40,000	-	40,000
Lease liabilities (a)	53,595	(2,812)	50,783
Total current liabilities	967,147	(2,812)	964,335
<b>Non-current liabilities</b>			
Lease liabilities (a)	-	875,326	875,326
Deferred tax liabilities (b)	-	168,773	168,773
Total non-current liabilities	-	1,044,099	1,044,099
<b>Total liabilities</b>	<b>967,147</b>	<b>1,041,287</b>	<b>2,008,434</b>
<b>Shareholder's Equity</b>			
Share capital	100	-	100
Retained earnings (a), (b)	3,326,938	(196,817)	3,130,121
<b>Total equity</b>	<b>3,327,038</b>	<b>(196,817)</b>	<b>3,130,221</b>
<b>Total equity and liabilities</b>	<b>4,294,185</b>	<b>844,470</b>	<b>5,138,655</b>

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

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### b) Reconciliation of the December 31, 2020 statement of income and comprehensive income:

	December 31, 2020		
	ASPE \$	Adjustments \$	IFRS \$
<b>Revenue</b>	8,533,562	-	8,533,562
<b>Cost of sales (a)</b>	4,485,251	(9,610)	4,475,641
<b>Gross profit</b>	4,048,311	9,610	4,057,921
Sales and marketing	667,849	-	667,849
Distribution	530,530	-	530,530
General and administrative (a)	833,603	(14,414)	819,189
Depreciation (a)	39,097	10,013	49,110
	1,977,232	14,011	1,991,243
Interest expense (a)	-	42,055	42,055
Other income	(20,299)	-	(20,299)
Income before income taxes	1,997,531	(28,044)	1,969,487
Income tax expense (b)	423,939	43,841	467,780
<b>Net income and comprehensive income for the year</b>	1,573,592	(71,885)	1,501,707

### c) Adjustments to the statement of cash flows

The transition from ASPE to IFRS had no significant impact on the statement of cash flows for the year ended December 31, 2020.

### d) Effects of the transition to IFRS

#### i) Leases

Previously under ASPE, the Company's leases were classified as operating leases whereby lease payments were charged to the statement of income and comprehensive income on a straight-line basis over the period of the lease.

On adoption of IFRS 16 – Leases, the Company recognized a lease liability and a right-of-use asset in relation to all leases that had previously been classified as operating leases under ASPE.

# Trutina Pharmacy Inc.

## Notes to Financial Statements

August 31, 2021, December 31, 2020 and January 1, 2020

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These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2020. The right-of-use asset was measured on the balance sheet as at January 1, 2020 being the amount equal to the lease liability. The changes in the right-of-use assets and lease liabilities during 2020 and 2021 are set out in notes 7 and 8.

ii) Income taxes

IAS 12 – Income taxes (IAS12), requires the recognition of deferred taxes and, as such, the adoption of IAS 12 results in differences when compared to ASPE as the Company was applying the taxes payable method. Under IAS 12, the Company calculated the deferred tax assets and deferred tax liabilities as at December 31, 2020 and January 1, 2020.

iii) Presentation changes and other adjustments

Certain presentation differences exist between IFRS and ASPE. As a result, presentation changes were required on the balance sheets, statements of income and comprehensive income and statements of cash flows.

These reclassifications did not impact previously reported net income.

**SCHEDULE "F"**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF MAGEN**

**Magen Ventures I Inc.**  
**Management Discussion and Analysis**  
**For the period from the date of incorporation (February 9, 2021) to December 31, 2021**

April 21, 2022

The following management discussion and analysis (“MD&A”) of the results of the operations and financial position of Magen Ventures I Inc. (the “Corporation”) for the period from the date of incorporation (February 9, 2021) to December 31, 2021. All figures contained in this MD&A are presented in Canadian dollars.

### **Forward-Looking Statements**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation’s future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

### **The Corporation**

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on February 9, 2021, and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”) Corporate Finance Manual (the “Manual”). The head office and the registered head office of the Corporation is located at 77 King Street West, Suite 400, Toronto, ON M5K 0A1.

The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”) as such term is defined in the Manual. The Corporation has not commenced operations and has no assets other than cash held in trust and short term investments. The Corporation’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm’s length transaction, of the majority of the minority shareholders.

**Magen Ventures I Inc.**  
**Management Discussion and Analysis**  
**Page 2**

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT.

On February 22, 2021, the Corporation issued 9,800,000 common shares in the capital of the Corporation (“Common Shares”) at \$0.05 per share for gross proceeds of \$490,000.

On April 9, 2021, the Corporation issued a total of 10,200,000 Common Shares at \$0.05 per share for total proceeds of \$510,000.

Share issuance costs of \$17,503 were associated with these subscriptions.

On February 22, 2021, the Corporation granted 5,000,000 stock options to directors and officers, which are exercisable within five years from the date of grant at an exercise price of \$0.05 per share.

On June 17, 2021, the Corporation completed its Initial Public Offering (“IPO”) of 40,000,000 Common Shares at \$0.10 per share (\$4,000,000). The Corporation paid a commission of 9% of the gross proceeds to Canaccord Genuity Corp. (the “Agent”), and granted the Agent warrants to purchase 3,200,000 Common Shares exercisable for a period ending sixty months from the closing of the IPO, exercisable at \$0.10 per share.

Concurrently with completion of the IPO, the Corporation granted an aggregate of 1,000,000 stock options to its officers and directors at an exercise price of \$0.10 per share for a period of five years from the date of grant.

On April 21, 2022, the Board of Directors approved the annual financial statements for the period from the date of incorporation (February 9, 2021) to December 31, 2021.

### **Summary of Quarterly Results**

	<b>December 31, 2021</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>
Total Assets	4,470,696	4,484,204	4,557,461	923,890
Total Revenues	Nil	Nil	Nil	Nil
Total Expenses	\$32,019	\$80,179	\$113,222	\$189,753
Other Income	\$5,545	\$5,046	Nil	Nil
Net Loss	\$(26,474)	\$(75,133)	\$(113,222)	\$(189,753)
Basic and diluted net loss per share	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.03)

## Results of Operations

### Three months ended December 31, 2021

The Corporation recorded a net loss of \$26,474 during three months ended December 31, 2021. The net loss for the three months ended December 31, 2021, is mainly due to professional fees and filing fee.

The Corporation also recorded other income of \$5,545 which comprises of interest income of \$630 and unrealized gain of \$ 4,915 from short term investments and deposits during the quarter.

### Period ended December 31, 2021

The Corporation recorded a net loss of \$404,581 during the date of incorporation (February 9, 2021) to December 31, 2021. The net loss for the period ended December 31, 2021, is mainly due to professional fees and stock-based compensation.

The Corporation also recorded other income of \$10,591 which comprises of interest income of \$1,188 and unrealized gain of \$9,403 from short term investments and deposits during the period.

## Additional Disclosure for Venture Issuers without Significant Revenue

Since the Corporation has no revenue from operations, the following is a breakdown of the material costs incurred from the date of incorporation (February 9, 2021) to December 31, 2021:

Material costs	Period from date of incorporation (February 9, 2021) to December 31, 2021
Professional fees	\$135,492
Filing fees	\$21,026
Stock-based compensation	\$258,655

## Liquidity and Capital Resources

As of December 31, 2021 the Corporation had cash held in trust of \$210,725 and short term investments deposits with banks totaling \$4,259,971. The Corporation had current liabilities of \$19,925 and working capital of \$4,450,771

## Outstanding Share Data

As at December 31, 2021, 60,000,000 Common Shares are issued and outstanding. Of these, 20,000,000 Common Shares are held in escrow in accordance with the Manual. In addition, there are: (a) 5,000,000 stock options outstanding, exercisable at \$0.05 per share and expiring on February 22, 2026; (b) 1,000,000 stock options outstanding, exercisable at \$0.10 per share and expiring on June 17, 2026; and (c) 3,200,000 warrants to purchase Common Shares outstanding,

exercisable at \$0.10 per share and expiring on June 17, 2026.

### **Off-Balance Sheet Arrangements**

The Corporation has not had any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

### **Related Party Transactions**

During the period from the date of incorporation (February 9, 2021) to December 31, 2021, the Corporation incurred stock-based compensation expense related to directors and officers valued at \$258,655.

### **Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of share capital, shares to be issued and deficit in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT by the Corporation.

### **Risks and Uncertainties**

The following describes certain risks, events and uncertainties that could affect the Corporation and that each reader should carefully consider. Please refer to the Corporation's final prospectus dated May 17, 2021 for additional risks, events and uncertainties that could affect the Corporation.

External financing may be required to fund the Corporation's activities primarily through the issuance of Common Shares. There can be no assurance that the Corporation will be able to obtain adequate financing. The securities of the Corporation should be considered a highly speculative investment.

**Magen Ventures I Inc.**  
**Management Discussion and Analysis**  
**Page 5**

The Corporation has not generated significant revenues and does not expect to generate significant revenues in the near future. In the event that the Corporation generates significant revenues in the future, the Corporation intends to retain its earnings in order to finance further growth. Furthermore, the Corporation has not paid any dividends in the past and does not expect to pay any dividends in the foreseeable future.

The Corporation faces risks related to health epidemics, pandemics and other outbreaks of communicable diseases, which could significantly disrupt its ability to complete a QT on a timely basis, or at all, and adversely affect its financial conditions. The Corporation's business could be adversely impacted by the effects of the COVID-19 pandemic or other epidemics and/or pandemics. In December 2019, COVID-19 emerged in China and the virus has now spread with infections been reported globally. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The extent to which COVID-19 impacts the Corporation's ability to complete a QT on a timely basis, or at all, and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the pandemic and the actions taken to contain or treat the COVID-19 pandemic (including recommendations from public health officials). In addition, the COVID-19 pandemic represents a widespread global health crisis that could adversely affect global economies and financial markets resulting in an economic downturn that could have an adverse effect on the Corporation and its ability to complete a QT in a timely manner, or at all.

### **Liquidity risk**

Liquidity risk is the risk that the Corporation will incur difficulties meeting its financial obligations as they are due. As of December 31, 2021, the Corporation's financial liabilities consist of account payable and accrued liabilities.

Based on the Corporation's working capital position as of December 31, 2021, management regards liquidity risk is minimum as the Corporation has positive working capital in amount of \$4,450,771 as at December 31, 2021.

Corporation's liabilities are comprised of short-term liabilities.

Duration of Liabilities

	\$	2021	%
Up to 1Y	19,925		100

### **Risk Disclosures and Fair Values**

The Corporation's financial instruments, consisting of cash held in trust, investment and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

### **Critical Accounting Estimates**

The Corporation's significant accounting policies are summarized in Note 2 of the audited financial statements for the period ended February 28, 2021.

### **Subsequent Events**

On March 16, 2022 the Corporation entered into a business combination agreement with Grey Wolf Animal Health Inc., which outlines the terms and conditions pursuant to which Magen and Grey Wolf will complete a transaction that will result in a reverse take-over of Magen by Grey Wolf Animal Health Inc.

### **Additional Information**

For further detail, see the Corporation's annual financial statements for the period ended December 31, 2021. Additional information about the Corporation can also be found on SEDAR.

# **Magen Ventures I Inc.**

## **Management Discussion and Analysis**

August 29, 2022

The following management discussion and analysis (“MD&A”) of the results of the operations and financial position of Magen Ventures I Inc. (the “Corporation”) for the three and six month period ended June 30, 2022, the three month period ended June 30, 2021 and for the period from February 9, 2021 (date of incorporation) to June 30, 2021. All figures contained in this MD&A are presented in Canadian dollars.

### **Forward-Looking Statements**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation’s future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

### **The Corporation**

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on February 9, 2021, and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”) Corporate Finance Manual (the “Manual”). The head office and the registered head office of the Corporation is located at 77 King Street West, Suite 400, Toronto, ON M5K 0A1.

The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”) as such term is defined in the Manual. The Corporation has not commenced operations and has no assets other than cash held in trust, prepaids and short-term investments. The Corporation’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm’s length transaction, of the majority of the minority shareholders.

## **Magen Ventures I Inc.**

### **Management Discussion and Analysis**

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT.

On February 22, 2021, the Corporation issued 9,800,000 common shares in the capital of the Corporation (“Common Shares”) at \$0.05 per share for gross proceeds of \$490,000.

On April 9, 2021, the Corporation issued a total of 10,200,000 Common Shares at \$0.05 per share for total proceeds of \$510,000.

Share issuance costs of \$17,503 were associated with these subscriptions.

On February 22, 2021, the Corporation granted 5,000,000 stock options to directors and officers, which are exercisable within five years from the date of grant at an exercise price of \$0.05 per share.

On June 17, 2021, the Corporation completed its Initial Public Offering (“IPO”) of 40,000,000 Common Shares at \$0.10 per share (\$4,000,000). The Corporation paid a commission of 9% of the gross proceeds to Canaccord Genuity Corp. (the “Agent”), and granted the Agent warrants to purchase 3,200,000 Common Shares exercisable for a period ending sixty months from the closing of the IPO, exercisable at \$0.10 per share.

Concurrently with completion of the IPO, the Corporation granted an aggregate of 1,000,000 stock options to its officers and directors at an exercise price of \$0.10 per share for a period of five years from the date of grant.

On March 16, 2022 the Corporation entered into a business combination agreement with Grey Wolf Animal Health Inc. (the “Grey Wolf”), pursuant to which a wholly-owned subsidiary of the Corporation and Grey Wolf will amalgamate pursuant to a three-cornered amalgamation under the Business Corporations Act (Ontario) (the “Amalgamation”). The Amalgamation will result in the reverse takeover of the Corporation by the shareholders of Grey Wolf. Following the completion of the Amalgamation, the Corporation, as the issuer resulting therefrom, is expected to trade on the Exchange and carry on the current business of Grey Wolf under the name “Grey Wolf Animal Health Corp.” or such other name as may be determined by Grey Wolf and is acceptable to the applicable regulatory authorities. This proposed transaction is intended to be the QT for the Corporation.

On August 29, 2022, the Board of Directors approved the unaudited condensed interim financial statements for the three and six months period ended June 30, 2022, the three month period ended June 30, 2021 and for the period from the date of incorporation (February 9, 2021) to June 30, 2021.

**Magen Ventures I Inc.**  
**Management Discussion and Analysis**

**Summary of Quarterly Results**

	<b>June 30, 2022</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>
Total Assets	\$ 4,413,443	\$ 4,456,171	\$ 4,470,696	\$ 4,484,204	\$ 4,557,461	\$ 923,890
Total Revenues	Nil	Nil	Nil	Nil	Nil	Nil
Total Expenses	\$ 151,792	\$ 32,329	\$ 32,019	\$ 80,179	\$ 113,222	\$ 189,753
Other Income	\$ 6,203	\$ 5,623	\$ 5,545	\$ 5,046	Nil	Nil
Net Loss	(\$ 145,589)	(\$ 26,706)	(\$ 26,474)	(\$ 75,133)	(\$ 113,222)	(\$ 189,753)
Basic and diluted net loss per share	(\$ 0.00)	(\$ 0.00)	(\$ 0.00)	(\$ 0.00)	(\$ 0.00)	(\$ 0.03)

**Results of Operations**

*Comparison of the three months ended June 30, 2022 to June 30, 2021*

**Revenue** - The Corporation has no revenue from operations.

**General and administrative expenses** totaled \$151,792 in 2022 as compared to \$113,222 in 2021, an increase of \$38,570. The difference comprises of due to following expenses:

- Legal and professional fees of \$147,241 (\$21,215 in 2021)
- Filing fees of \$4,551 (\$17,826 in 2021)
- Stock-based compensation of \$nil (\$74,181 in 2021)

**Other income** for the three months ended June 30, 2022 totaled \$6,203 as compared to \$nil in 2021. Other income comprises of interest income of \$1,341 (\$nil in 2021) and unrealized gain of \$4,862 (\$nil in 2021) from short term investment and deposits during the quarter.

**Net Loss for the three months** amounted to \$145,589 (\$113,222 in 2021).

*Comparison of the six months ended June 30, 2022 to for the period from February 9, 2021 (date of incorporation) to June 30, 2021*

**Revenue** - The Corporation has no revenue from operations.

**General and administrative expenses** totaled \$184,121 in 2022 as compared to \$302,975 in 2021, a decrease of \$118,854. The difference comprises of due to following expenses:

- Legal and professional fees of \$170,880 (\$26,494 in 2021)
- Filing fees of \$13,241 (\$17,826 in 2021)
- Stock-based compensation of \$nil (\$258,655 in 2021)

## **Magen Ventures I Inc.**

### **Management Discussion and Analysis**

**Other income** during six months ended June 30, 2022 totaled \$11,826 as compared to \$nil in the period from February 9, 2021 (date of incorporation) to June 30, 2021. Other income comprises of interest income of \$2,156 (\$nil in 2021) and unrealized gain of \$9,670 (\$nil in 2021) from short term investment and deposits during the quarter.

**Net Loss for the six months** amounted to \$172,295 (\$302,975 in 2021).

### **Additional Disclosure for Venture Issuers without Significant Revenue**

Since the corporation has no revenue from operations, the following is the breakdown of the costs and other income incurred from the date of incorporation (February 9, 2021) to June 30, 2022.

	<b>Period from date of incorporation (February 9, 2021) to June 30, 2022</b>
Professional fees	\$306,372
Filing fees	\$34,266
Stock-based compensation	\$258,655
Interest income	(\$3,344)
Unrealized gain	(\$19,073)
<b>Total</b>	<b>(\$576,876)</b>

### **Liquidity and Capital Resources**

As of June 30, 2022 the Corporation had cash held in trust of \$138,821 (\$4,557,461 as of June 30,2021) and short term investments deposits with banks totaling \$4,271,797 (\$nil as of June 30,2021). The Corporation had current liabilities of \$134,967 (\$5,084 as of June 30, 2021) and working capital of \$4,278,476 (\$4,552,377 as of June 30, 2021).

### **Outstanding Share Data**

As at June 30, 2022, 60,000,000 Common Shares are issued and outstanding. Of these, 20,000,000 Common Shares are held in escrow in accordance with the Manual. In addition, there are: (a) 5,000,000 stock options outstanding, exercisable at \$0.05 per share and expiring on February 22, 2026; (b) 1,000,000 stock options outstanding, exercisable at \$0.10 per share and expiring on June 17, 2026; and (c) 3,200,000 warrants to purchase Common Shares outstanding, exercisable at \$0.10 per share and expiring on June 17, 2026.

### **Off-Balance Sheet Arrangements**

The Corporation has not had any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

**Magen Ventures I Inc.**  
**Management Discussion and Analysis**

**Related Party Transactions**

The Corporation incurred stock-based compensation expense related to directors and officers valued at \$258,655 during the period from the date of incorporation (February 9, 2021) to June 30, 2021 and “nil” for the six months period ended June 30, 2022.

**Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of share capital, shares to be issued and deficit in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT by the Corporation.

**Risks and Uncertainties**

The following describes certain risks, events and uncertainties that could affect the Corporation and that each reader should carefully consider. Please refer to the Corporation's final prospectus dated May 17, 2021 for additional risks, events and uncertainties that could affect the Corporation.

External financing may be required to fund the Corporation's activities primarily through the issuance of Common Shares. There can be no assurance that the Corporation will be able to obtain adequate financing. The securities of the Corporation should be considered a highly speculative investment.

The Corporation has not generated significant revenues and does not expect to generate significant revenues in the near future. In the event that the Corporation generates significant revenues in the future, the Corporation intends to retain its earnings in order to finance further growth. Furthermore, the Corporation has not paid any dividends in the past and does not expect to pay any dividends in the foreseeable future.

The Corporation faces risks related to health epidemics, pandemics and other outbreaks of communicable diseases, which could significantly disrupt its ability to complete a QT on a timely basis, or at all, and adversely affect its financial conditions. The Corporation's business could be adversely impacted by the effects of the COVID-19 pandemic or other epidemics and/or

## **Magen Ventures I Inc.**

### **Management Discussion and Analysis**

pandemics. In December 2019, COVID-19 emerged in China and the virus has now spread with infections been reported globally. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The extent to which COVID-19 impacts the Corporation's ability to complete a QT on a timely basis, or at all, and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the pandemic and the actions taken to contain or treat the COVID-19 pandemic (including recommendations from public health officials). In addition, the COVID-19 pandemic represents a widespread global health crisis that could adversely affect global economies and financial markets resulting in an economic downturn that could have an adverse effect on the Corporation and its ability to complete a QT in a timely manner, or at all.

### **Liquidity risk**

Liquidity risk is the risk that the Corporation will incur difficulties meeting its financial obligations as they are due. As of June 30, 2022, the Corporation's financial liabilities consist of account payable and accrued liabilities.

Based on the Corporation's working capital position as of June 30, 2022, management regards liquidity risk is minimum as the Corporation has positive working capital in amount of \$4,278,476 as at June 30, 2022 (\$4,552,377 as at June 30, 2021).

Corporation's liabilities are comprised of short-term liabilities.

### **Duration of Liabilities**

	\$	June 30,	%	June 30,	%
		2022		2021	
Up to 1Y		134,967	100	5,084	100

### **Risk Disclosures and Fair Values**

The Corporation's financial instruments, consisting of cash held in trust, investment and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

### **Subsequent Events**

On July 28, 2022 the Corporation and Grey Wolf amended the Business Combination Agreement to extend the completion deadline to November 30, 2022 and amend the consolidation ratio of the Common Shares from "19.1667 to 1" to "16.6667 to 1" or such other ratio as may be agreed to between the Corporation and Grey Wolf.

**SCHEDULE "G"**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF GREY WOLF**

**GREY WOLF ANIMAL HEALTH INC.**

**Management's Discussion and Analysis  
For the year ended December 31, 2021**

**October 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 October 28, 2022, is prepared for the years ended December 31, 2021 and 2020 and as at January 1, 2020. This MD&A is supplemental to the Company's audited consolidated financial statements for the years ended December 31, 2021, December 31, 2020 and as at January 1, 2020 (the "**Financial Statements**"). The Financial Statement were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**").

This MD&A is attached as a schedule to the filing statement of Magen Ventures I Inc. ("**Magen**") dated as of October 30, 2022 (the "**Filing Statement**"). The Filing Statement describes a business combination transaction which is proposed to be effected among, inter alia, Grey Wolf and Magen (the "**Magen Transaction**"). Completion of the Magen Transaction is subject to, among other things, the approval of the TSX Venture Exchange. See "The Magen Transaction" in this MD&A and Note 26 to the Financial Statements for summaries of the transaction and refer to the Filing Statement for detailed information.

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

When used in this MD&A:

- "**2020 convertible preferred shares**" means the Class A preferred shares issued by the Company as part of the March 2021 Offering;
- "**2021 convertible preferred shares**" means the Series B preferred shares issued by the Company as part of the August 2021 Offering;
- "**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;
- "**Resulting Issuer common shares**" means common shares in the capital of Resulting Issuer; and
- "**TSXV**" means the TSX Venture Exchange;

All other capitalized terms not otherwise defined in this MD&A have the meanings attributed to them in the Filing Statement.

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 its 2021 financial statements under IFRS and the Financial Statements are the first consolidated financial statements prepared in accordance with IFRS. See Note 27 to the Financial Statements for details regarding Grey Wolf's election to present its 2021 financial statements in accordance with IFRS.

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 financing and special transaction costs (including, for greater certainty, fees related to the Trutina Acquisition and related financing), interest expenses, income taxes, interest income, depreciation of property and equipment, amortization of intangible assets, amortization of right of use assets, share-based compensation expense, income from sale of assets, changes in fair value of embedded derivatives, change in fair value of contingent consideration, foreign exchange gains or losses, termination benefits, and impairment of intangible assets. 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 income (loss), the most comparable IFRS financial measure.

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

On September 1, 2021, the Company completed the acquisition (the "**Trutina Acquisition**") of all of the outstanding shares of Trutina Pharmacy Inc. ("**Trutina**") and Trubalance Healthcare Inc. ("**Trubalance**"). For details of the Trutina Acquisition please refer to "Significant Transactions During 2021 – Trutina Acquisition" in this MD&A and 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."

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 and this MD&A for the year ended December 31, 2021, 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 FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2021**

*Comparative results subsequent to September 1, 2021 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.*

### **Highlights for the Fourth Quarter of 2021**

- The Company completed the quarter with cash of \$4.4 million, a decrease of \$0.14 million over the prior quarter and an increase of \$2.3 million over the fourth quarter of 2020.
- The Animal Health business unit (as defined herein) saw growth due to increased sales of established products.
  - Revenues were \$2.3 million, representing a decrease of 7.5% over the previous quarter and an increase of 16.9% over the same period in 2020.
  - Gross margin was 50%, representing a decrease of 3.0% over the previous quarter and an increase of 2.4% over the same period in 2020.
- The Pharmacy business unit (as defined herein) performed well over its first full quarter following completion of the Trutina Acquisition.
  - Revenues were \$2.4 million.
  - Gross margin was 42.9%.

### **Highlights for the Full Year 2021**

- Completed the Trutina Acquisition.
  - Completion of the Trutina Acquisition on September 1, 2021 resulted in Grey Wolf acquiring the Pharmacy business unit

- An independent compounding pharmacy that specializes in the formulation of compounds for the equine market
  - History of year-on-year revenue growth.
  - Attractive free cash profile.
- The Pharmacy business unit contributed revenue of \$3.3 million during the four months following the Trutina Acquisition.
- If the Trutina Acquisition had occurred on January 1, 2020, the Company estimates on a proforma basis that Grey Wolf's consolidated revenue for 2021 would have been \$20.2 million (compared to consolidated revenue of \$16.5 million for 2020).
- Cash position of \$4.4 million compared with \$2.1 million for 2020.
- Revenue increased by 70.5% to \$13.1 million from \$7.7 million for 2020. Growth was driven by
  - Organic growth in sales from the Animal Health business unit whose revenues were \$9.8 million compared with \$7.7 million for 2020, representing an increase of 27.3% over 2020; and
  - The acquisition of the Pharmacy business unit which achieved sales of \$3.3 million during the four months following the Trutina Acquisition.
- Cash provided by operating activities increased by \$1.5 million to \$2.1 million compared to \$0.6 million for 2020.
- Financing activities raised \$23.2 million to provide funding for the Trutina Acquisition.

### Highlights Subsequent to Year End

- On March 16, 2022, the Company entered into a business combination agreement pursuant to which Magen will acquire all of the issued and outstanding Grey Wolf common shares by way of a three-cornered amalgamation which will result in the listing of the Resulting Issuer common shares on the TSXV.

## THE MAGEN TRANSACTION

On March 16, 2022, Magen and the Company entered into a binding agreement (the “**Definitive Agreement**”), pursuant to which Magen and Grey Wolf propose to effect the Magen Transaction. In connection with the Magen Transaction: (i) certain convertible debentures issued by the Company during 2018 (the “**2018 convertible debentures**”), 2020 convertible debentures (as defined herein), 2021 convertible debentures (as defined herein), 2020 convertible preferred shares and 2021 convertible preferred shares will convert into common shares; (ii) Grey Wolf and a wholly-owned subsidiary of Magen will amalgamate and continue as one corporation (“**Amalco**”); (iii) holders of common shares will receive one Magen common share (on a post-consolidation basis) in exchange for each Grey Wolf common share they hold; (iv) the combined business and assets of Grey Wolf will become the business and assets and Amalco; (v) Amalco will continue as a wholly-owned subsidiary of Magen; (vi) the outstanding warrants, broker warrants and stock options to acquire Grey Wolf common shares will be exchanged for similar securities issued by Magen; and (vii) Magen will change its name to “Grey Wolf Animal Health Corp.”.

Immediately following completion of the Magen Transaction, former Grey Wolf shareholders will hold approximately 89.2% of the common shares of Resulting Issuer and former Magen shareholders will hold the remaining 10.8%. Accordingly, the Magen Transaction will constitute a “reverse take-over” for accounting purposes. For details about Resulting Issuer’s share capital structure as it will exist upon completion of the Magen Transaction, refer to the information set out in the Filing Statement under “Part IV- Information Concerning the Resulting Issuer - Pro Forma Consolidated Capitalization”.

Following the completion of the Magen Transaction, Resulting Issuer will carry on the business of Grey Wolf. Grey Wolf anticipates that there will be additional general and administrative expenses related to Resulting Issuer’s disclosure and filing obligations related to its stock exchange listing and its status as a “reporting issuer” under applicable securities laws; however, the Company does not expect the Magen Transaction to have a material effect on its overall financial condition, financial performance, or cash flows.

The Magen Transaction is described in greater detail in the Filing Statement under the heading “Part I – The Proposed Qualifying Transaction”.

## SIGNIFICANT TRANSACTIONS DURING 2021

### Trutina Acquisition

On September 1, 2021, Grey Wolf acquired all of the issued and outstanding shares of Trutina and TruBalance for closing consideration of \$20.2 million cash and the issuance of 1,091,500 common shares, having a deemed price of \$1.50 per common share (the “**Trutina Acquisition**”).

Subsequent to closing of the Trutina Acquisition, an additional \$0.5 million was paid to the vendor as a result of post-closing adjustments to the purchase price based on the actual balances of cash and accounts payable at the time of closing. The aggregate \$20.7 million cash portion of the purchase price was funded using the net proceeds from the CWB Loan (as defined herein) with the remainder being funded using the net proceeds from the August 2021 Offering (defined below). See “Liquidity and Capital Resources – Financing Activities” in this MD&A.

At the time of acquisition, Trutina was an independent compounding pharmacy specializing in compounding of innovative products primarily for equine health and Trubalance was a sales and marketing company focused on providing medical education to doctors in the field of bioidentical hormone replacement therapy.

The businesses carried on by Trutina and Trubalance now comprise the business carried on by Grey Wolf’s Pharmacy business unit. See “Company Overview and Strategy” in this MD&A.

### \$11.5 Million Term Loan

On August 25, 2021, the Company entered into a \$11.5 million financing arrangement with CWB Maxium Financial Inc. (the “**CWB Loan**”). The CWB Loan bears fixed interest at a rate of 4.0% per annum on \$10 million and 10.0% per annum on the remaining \$1.5 million. The CWB Loan is secured and initially repayable in 60 equal monthly instalments of \$0.12 million commencing 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.

As consideration for services rendered in connection with the CWB Loan, Grey Wolf issued 230,000 broker warrants (the “**2021 Debt Placement Warrants**”). Each 2021 Debt Placement Warrant is exercisable to acquire one common share at a price of \$2.10 until August 31, 2024.

The net proceeds from the CWB Loan were used to finance a portion of the cash purchase price payable under the Trutina Acquisition.

### Private Placement of Debentures and 2021 Convertible Preferred Shares (August 31, 2021)

On August 31, 2021, Grey Wolf completed a private placement offering (the “**August 2021 Offering**”) of (i) 1,115 10% unsecured convertible debenture units (the “**2021 Debenture Units**”), at a price of \$10,000 per 2021 Debenture Unit and (ii) 241 2021 convertible preferred share units (the “**2021 Preferred Share Units**”), at a price of \$10,000 per 2021 Preferred Share Unit, for aggregate gross proceeds of \$13.6 million.

Each 2021 Debenture Unit consists of (i) one 10.0% unsecured convertible debenture in the principal amount of \$10,000 (the “**2021 convertible debentures**”) and (ii) 1,250 common share purchase warrants (each a “**2021 Investor Warrant**”). Each 2021 convertible debenture accrues interest quarterly, in arrears, at a rate of 10.0% per annum which will be payable in common shares at the current market price as part of the Magen Transaction.

Each 2021 Preferred Share Unit consists of (i) 5,000 2021 convertible preferred shares, and (ii) 1,250 2021 Investor Warrants. Dividends in respect of each 2021 convertible preferred shares accrue quarterly, in arrears, at a rate of 10.0% per annum and will be payable in common shares at the current market price as part of the Magen Transaction.

Each of the 1,695,000 2021 Investor Warrants entitles the holder thereof to purchase one common share at an exercise price of \$2.10 at any time up to August 31, 2024.

The August 2021 Offering was conducted pursuant to an agency agreement (the “**2021 Agency Agreement**”) between Grey Wolf and Bloom Burton Securities Inc., INFOR Financial Inc., Stifel Nicolaus Canada Inc., and Richardson Wealth Ltd. (collectively, the “**2021 Agents**”). As partial consideration for the services rendered, the 2021 Agents were issued 452,000 broker warrants (the “**2021 Broker Warrants**”). Each 2021 Broker Warrant is exercisable to acquire one common share at a price of \$2.10 until August 31, 2024.

## **Private Placement of Debentures and 2020 Convertible Preferred Shares (March 12, 2021)**

On March 12, 2021, Grey Wolf completed a private placement offering (the “**March 2021 Offering**”) of (i) 5% unsecured convertible debentures (the “**2020 convertible debentures**”) in the principal amount of \$25,000 and (ii) 48,333 2020 convertible preferred shares, at a price of \$1.50 per 2020 convertible preferred share, for aggregate gross proceeds of \$97,500.

The March 2021 Offering was a follow-up offering to private placements during 2020 which resulted in the issuance of 2020 convertible debentures in the principal amount of \$1.3 million and \$0.3 million 2020 convertible preferred shares for aggregate gross proceeds of \$1.8 million. Of the total gross proceeds, \$0.5 million was converted from proceeds of a shareholder loan.

Holders of 2020 convertible debentures are entitled to be paid interest quarterly, in arrears, at a rate of 5.0% per annum.

Holders of 2020 convertible preferred shares are entitled to be paid cash dividends payable quarterly, in arrears, at a rate of 5.0% per annum.

## **COMPANY OVERVIEW AND STRATEGY**

Grey Wolf is a private company 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 compound innovative branded and generic products for sale 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 business 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 focusses 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, compounds 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 ANNUAL FINANCIAL INFORMATION

	Twelve months ended	
	Dec 31, 2021	Dec 31, 2020
Revenue	13,095,439	7,681,985
Gross profit	7,148,969	4,141,565
Gross profit %	55%	54%
Total operating expenses	7,078,559	4,564,514
Operating (loss) income for the period	70,410	(422,949)
Income tax (recovery) expense	(922,186)	79,195
Net loss for the period	(968,939)	(896,439)
<u>Loss per share</u>		
Basic and diluted	(0.069)	(0.066)
EBITDA	885,708	246,561
Adjusted EBITDA	1,953,080	523,321
	<b>Dec 31, 2021</b>	<b>Dec 31, 2020</b>
Total assets	36,233,587	7,179,496
Total liabilities	32,157,341	4,357,304

### RESULTS OF OPERATIONS – 12 MONTHS ENDED DECEMBER 31, 2021

This section of the MD&A contains a discussion of Grey Wolf's operations for the three and twelve-month periods ended December 31, 2021. 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.

Revenue for the three- and twelve-month periods ended December 31, 2021, increased 138% to \$4.7 million and 70% to \$13.0 million, respectively, over the same periods in 2020. These increases were mainly due organic revenue growth from the Animal Health business unit during 2021 and the Trutina Acquisition on September 1, 2021.

Total expenses for the three- and twelve-month periods ended December 31, 2021, increased 133% to \$2.7 million and 55% to \$7.1 million, respectively, over the same periods in 2020. During the twelve-month period, there was an increase in salary, bonus and benefits related to operational growth. Additionally, travel, meals and business expenses increased in 2021 as the sales and marketing team resumed attendance at conventions, trade shows and customer visits that did not occur in 2020 due to COVID-19 safety protocols. Finally, there was an increase in professional fees and outside services related to Grey Wolf's financing activities and the Trutina Acquisition.

Operating profit for the three and twelve-month periods ended December 31, 2021, was a loss of \$0.09 million and a profit of \$0.07 million compared to an operating loss of \$0.2 million and \$0.4 million for the three and twelve-month periods ended December 31, 2020, largely as the growth in revenue outpaced increases in costs and expenses for the period.

### **Animal Health Business Unit**

Total revenue was \$2.3 million and \$9.8 million for the three and twelve-month periods ended December 31, 2021, respectively, compared to \$2.0 million and \$7.7 million for the same periods in 2020. In each case, the increase was due mainly to an increase in sales of established products and from new products introduced during the period.

Cost of sales consists of amounts paid for finished goods. Cost of sales was \$1.0 million and \$4.3 million for the three and twelve-month periods ended December 31, 2021, respectively, compared to \$1.0 million and \$3.5 million for the same periods in 2020. For the comparative twelve-month periods, cost of sales remained consistent when measured as a percentage of total revenue. The increase in cost of sales for the three and twelve-month periods was partly due to an increase in sales of established products and from the introduction of new products. As a reflection of a trend throughout the global economy during 2021, cost of sales also increased due to (i) price increases paid for finished goods as suppliers of finished goods experienced increases to the prices of components, ingredients, and other inputs and (ii) increased shipping costs.

Gross profit was \$1.3 million and \$5.5 million for the three and twelve-month periods ended December 31, 2021, respectively, compared to gross profit of \$0.95 million and \$4.1 million for the three and twelve-months period ended December 31, 2020, respectively. This increase was due primarily to increased revenues.

### **Pharmacy Business Unit**

Total revenue from the Pharmacy business unit was \$2.4 million and \$3.3 million for the three and twelve-month periods ended December 31, 2021, comprising 50% and 25% of the Company's total consolidated revenue for the respective periods, having contributed for a period of four months following the Trutina Acquisition.

Cost of sales consists of components and ingredients used to compound medications, labour and overhead attributable to the compounding process. Cost of sales was \$1.4 million and \$1.9 million for the three and twelve-month periods ended December 31, 2021, comprising 58% and 30% of the Company's total cost of sales for the respective periods.

Gross profit was \$1.0 million and \$1.6 million for the three and twelve-month periods ended December 31, 2021, comprising 43% and 23% of the Company's total gross profit for the respective periods. Gross margins for the three and twelve-month periods ended December 31, 2021 were 43%.

Financial information about the Pharmacy business unit prior to September 1, 2021 (i.e., prior to the date of its acquisition by Grey Wolf) is contained in the audited financial statements of Trutina attached as a Schedule to the Filing Statement.

## EBITDA and Adjusted EBITDA

	Twelve months ended	
	Dec 31, 2021	Dec 31, 2020
<b>Net loss for the period</b>	<b>(968,939)</b>	<b>(896,439)</b>
Interest	1,655,101	277,133
Income taxes	(922,186)	79,195
Depreciation of property and equipment	93,880	4,727
Depreciation of right of use assets	120,885	91,645
Amortization of intangible assets	906,968	690,300
<b>EBITDA</b>	<b>885,709</b>	<b>246,561</b>
<u>Adjustments</u>		
Share-based compensation	180,991	159,598
Change in fair value of embedded derivatives	267,534	62,273
Foreign exchange (gain) loss	(9,823)	60,389
Change in fair value of contingent consideration	72,972	40,466
Other income	(24,249)	(45,966)
Transaction costs (legal, tax, etc.)	579,947	-
<b>Adjusted EBITDA</b>	<b>1,953,081</b>	<b>523,321</b>

EBITDA differs from net loss as it excludes: interest and accretion expense; income taxes; depreciation; and amortization of intangible assets. Refer to the “Cautionary Note Regarding Non-IFRS Financial Measures” section of this MD&A for a full reconciliation. EBITDA for the twelve-months ended 2021 increased by \$0.6 million compared to the corresponding period in 2020. The increase in EBITDA is primarily due to increases in sales on a year-over-year basis and the Trutina Acquisition. Adjusted EBITDA is earnings before financing and special transaction costs (including, for greater certainty, fees related to the Trutina Acquisition and related financing), interest expenses, income taxes, interest income, depreciation of property and equipment, amortization of intangible assets, amortization of right of use assets, share-based compensation expense, income from sale of assets, changes in fair value of embedded derivatives, change in fair value of contingent consideration, foreign exchange gains or losses, termination benefits, and impairment of intangible assets. (refer to the “Cautionary Note Regarding Non-IFRS Financial Measures” section of this MD&A for a full reconciliation and description of these expenses). Adjusted EBITDA increased by \$1.4 million for the twelve-months ended 2021, compared to the corresponding period in 2020. Adjusted EBITDA primarily increased as a result of increased revenue in the Animal Health unit and the contribution of the Pharmacy unit for the four-month period ended December 31, 2021.

## 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 compound innovative branded and generic products for sale 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.

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 compounding pharmaceuticals, primarily for equine applications but also for the bioidentical hormone replacement therapy market. Trutina 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 four-month period following the Trutina Acquisition, the Pharmacy business unit contributed approximately \$3.3 million out of Grey Wolf's consolidated 2021 revenue of \$13.1 million.

The Company opened 2021 with \$2.1 million in cash. During the year, the Company made the following additions to its cash resources: (i) \$11.2 million from the issuance of the 2021 convertible debentures and certain 2020 convertible debentures; (ii) \$2.5 million from the issuance of the 2021 convertible preferred shares and certain 2020 convertible preferred shares; and (iii) \$11.5 million borrowed under the CWB Loan. Also during the year, the Company acquired the Pharmacy business unit as a result of the completion of the Trutina Acquisition for an aggregate \$20.7 million in cash and 1,091,500 common shares of Grey Wolf at a fair value of \$1.50 per share. As a result of revenue growth from the Animal Health business unit and the revenue from the Pharmacy business unit in the four months following its acquisition, the Company achieved cash from operations of \$2.1 million. The Company closed 2021 with \$4.4 million in cash, representing a 104% increase over its cash position at the end of 2020.

As at December 31, 2021, the Company had a working capital surplus of \$5.1 million (including \$4.4 million cash but after backing out an aggregate \$16.2 million in current liabilities relating to the 2021 convertible debentures and 2020 convertible debentures, the 2020 convertible preferred shares and 2021 convertible preferred shares and associated expenses of embedded derivatives which became current due to the pendency of the Magen Transaction) compared to \$2.7 million (including \$2.1 million cash) for 2020. During 2022, the Company expects to focus efforts on growth through increased sales of its established product line and through new product launches. 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 increased by \$2.3 million to \$4.4 million for 2021 compared to a closing cash balance of \$2.1 million for 2020.

Working capital increased by \$2.4 million to \$5.1 million for 2021 compared to \$2.7 million for 2020<sup>1</sup>. This increase was primarily due to increases in cash and inventory of \$2.3 million and \$1.4 million, respectively, which was partially offset by increases in accounts payable of \$1.0 million and current borrowings of \$890,000. The increases in cash, inventory and accounts payable and accrued liabilities reflect the financial impact on Grey Wolf of the Pharmacy business unit which was acquired on September 1, 2021 pursuant to the Trutina Acquisition.

In connection with the completion of the Magen Transaction:

- the 2018 convertible debentures will mature and Grey Wolf will be obliged to repay the outstanding aggregate principal amount in the form of common shares. In accordance with the terms of the 2018 convertible debentures, accrued interest will become due and payable. Grey Wolf's obligation to pay any accrued but unpaid interest at maturity, may be satisfied, in Grey Wolf's discretion, by payment in the form of cash or common shares.
- the 2020 convertible debentures will mature and Grey Wolf will be obliged to repay the outstanding aggregate principal amount in the form of common shares. Grey Wolf has paid, in cash, all interest that accrued up to and including March 31, 2022. Payment to be made in respect of interest accrued after March 31, 2022 will be made from available cash.
- 2020 convertible preferred shares will be converted into common shares. Grey Wolf has paid, in cash, all dividends payable up to and including March 31, 2022. Payment to be made in respect of dividends accrued

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<sup>1</sup> Working capital for 2021 stated here does not include an aggregate \$16.2 million in current liabilities relating to the 2021 convertible debentures and 2020 convertible debentures, the 2020 convertible preferred shares and 2021 convertible preferred shares and associated expenses of embedded derivatives which became classified as current due to the pendency of the Magen Transaction. But for the announcement of the Magen Transaction, these liabilities would have been classified as non-current.

after March 31, 2022 will be made from available cash.

- the 2021 convertible debentures will mature and Grey Wolf will be obliged to repay the outstanding aggregate principal amount in the form of common shares. In accordance with the terms of the 2021 convertible debentures, accrued interest will become due and payable. Payment to be made in respect of such interest will be satisfied by payment in the form of common shares.
- 2021 convertible preferred shares will be converted into common shares. Accrued dividends will become due and payable. Grey Wolf's obligation to pay any unpaid dividends will be satisfied by payment in the form of common shares.

For particulars of the number of common shares issuable in the above circumstances please refer to "Part III – Information Concerning the Target Company – Consolidated Capitalization" and "Part III - Information Concerning the Target Company - Description of the Business - Financings" in the Filing Statement. Please also refer to "The Magen Transaction" in this MD&A and "Part I - The Proposed Qualifying Transaction" in the Filing Statement for a description of the Magen Transaction.

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 December 31, 2021 and the date of this MD&A, no amount is outstanding.

Grey Wolf believes that its financing activities and the performance of the Animal Health and Pharmacy business units left it with a stronger balance sheet as at December 31, 2021 than it had at the end of 2020. In connection with the anticipated 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 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 during 2022. 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 provided by operating activities increased by \$1.5 million to \$2.1 million in 2021 compared to \$0.6 million for 2020. This increase was primarily due to the combination of the financial impact of the Pharmacy business unit over the four-month period following completion of the Trutina Acquisition; increased sales revenue from the Animal Health business unit; and the timing of working capital items such as payables and receivables.

Of the above factors, revenue growth and cash from operating activities from the Pharmacy business unit over the four months following completion of the Trutina Acquisition was the most significant reason why cash from operations increased by \$1.5 million (259%) compared to \$0.6 million in 2020.

### **Investing Activities**

Cash used in investing activities increased by \$22.6 million to \$23.2 million in 2021 compared to \$0.6 million in 2020. This increase was the result of \$20.7 million paid as cash consideration paid on closing of the Trutina Acquisition and \$2.3 million cash consideration paid to acquire Phillios Drugs Limited ("Phillios").

### **Financing Activities**

Cash provided by financing activities increased by \$21.5 million to \$23.3 million in 2021 compared to \$1.8 million in 2020.

During 2021 Grey Wolf completed the August 2021 Offering and March 2021 Offering for aggregate gross proceeds of \$13.7 million. In addition, gross proceeds from the CWB Loan provided \$11.5 million. The gross proceeds from the Company's financing activities were partially offset by financing costs of \$1.5 million.

The aggregate \$20.6 million cash portion of the consideration paid in connection with the Trutina Acquisition was funded using the net proceeds from the CWB Loan and private placements. The acquisition of Phillios was also funded using

the net proceeds from the private placements.

As at December 31, 2021 and the date of this MD&A Grey Wolf was in material compliance with all covenants under the CWB Loan and RBC Facility and all material terms and conditions governing the outstanding convertible debentures.

See “Significant Transactions – Trutina Acquisition”, “Significant Transactions – CWB Loan”, “Significant Transactions - Private Placement of Debentures and Preferred Shares (August 30, 2021)” and “Significant Transactions - Private Placement of Debentures and Preferred Shares (March 12, 2021)” in this MD&A.

## **RELATED PARTY TRANSACTIONS**

During the year, the Company paid a total of \$19,314 (2020 – \$116,589) to a related security holder for advisory services, accounting and bookkeeping services and office rent. As at December 31, 2021, \$1,130 (2020 – \$1,130) was payable to this common shareholder and convertible debenture holder and included in accounts payable and accrued liabilities.

During the year, the Company paid a transaction cost to a related security holder of \$317,096 (2020 – \$43,644) in relation to the Company’s convertible debenture and convertible preferred share financing. An amount of \$nil (2020 – \$6,301) was included in accounts payable and accrued liabilities as at December 31, 2021.

During the year, the Company paid a transaction cost to a related security holder of \$241,500 in relation to the CWB credit loan and issued broker warrants.

A related security holder participated in the 2021 convertible debenture offering for total proceeds of \$530,000 and in the 2020 convertible debenture offering for total proceeds of \$500,000. The same related security holder also received broker warrants in relation to the issuance of 2021 convertible debentures and convertible preferred shares.

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. Additionally, stock options were granted to certain directors, officers, employees, and other eligible persons under the Company’s stock option plan.

See “Part III – Information Concerning the Target Company – Non-Arm’s Length Transactions” and “– Executive Compensation” in the Filing Statement and Note 25 to the Financial Statements.

## **OFF -BALANCE SHEET ARRANGEMENTS**

The Company had no off-balance sheet arrangements as of December 31, 2021.

## **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 December 31, 2021 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.

## **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 are 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 are entitled to be paid cumulative dividends, payable at a rate of 10.0% per annum. Dividends will accrue quarterly and are payable in a variable number of common shares on the earlier of

completion of the Magen Transaction or the fifth anniversary of the date on which they were issued.

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

See “Part III - Information Concerning the Target Company - Description of the Business - Financings” in the Filing Statement for information about the payment of accrued dividends on the 2020 convertible debentures and 2021 convertible preferred shares in connection with completion of the Magen Transaction.

## **QUARTERLY FINANCIAL INFORMATION**

The Company does not have quarterly information that is readily available

See “Selected Annual Financial Information” in this MD&A.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Following completion of the Magen Transaction, the Company will be 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.

## **COVID-19**

The global outbreak of COVID-19 continues to be a threat to the global economy. The extent to which the COVID-19 pandemic may continue to impact the Company’s business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the pandemic, travel restrictions and social distancing in Canada, the United States and other countries, business closures or business disruptions and the effectiveness of actions taken by governments around the globe to contain and treat the disease. The measures taken to date have caused material disruptions to businesses globally, resulting in an economic slowdown.

As of the date of approval of this MD&A, there has not been a material adverse impact on the Company’s business due to the COVID-19 pandemic. The Company is in close contact with all of its suppliers and distributors and it has not experienced any material issues such as business interruptions, requests for changes in terms, supply shortages or similar negative impacts.

## **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 financial instruments are set out in Note 15 to the 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. Following completion of the Magen Transaction, information about Resulting Issuer will be contained in disclosure documents filed by it with the applicable Canadian securities regulatory authorities and available under the Company's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**GREY WOLF ANIMAL HEALTH INC.**

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

**October 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 October 28, 2022, is prepared for the three- and six-month periods ended June 30, 2022. This MD&A is supplemental to the Company's unaudited interim condensed consolidated financial statements as at June 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 is attached as a schedule to the filing statement of Magen Ventures I Inc. ("**Magen**") dated as of October 30, 2022 (the "**Filing Statement**"). The Filing Statement describes a business combination transaction which is proposed to be effected among, inter alia, Grey Wolf and Magen (the "**Magen Transaction**"). Completion of the Magen Transaction is subject to, among other things, the approval of the TSX Venture Exchange. See "The Magen Transaction" in this MD&A for a summary of the transaction and refer to the Filing Statement for detailed information.

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

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;
- "**FY 2021**" means Grey Wolf's financial year ended December 31, 2021;
- "**Resulting Issuer**" means Magen as it exists from time-to-time following completion of the Magen Transaction;
- "**Resulting Issuer common shares**" means common shares in the capital of Resulting Issuer;
- "**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;
- "**TSXV**" means the TSX Venture Exchange; and
- "**Q2 2021**" means the three- and six-month periods ended June 30, 2021.

All other capitalized terms not otherwise defined in this MD&A have the meanings attributed to them in the Filing Statement.

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 financing and special transaction costs (including, for greater certainty, fees related to the Trutina Acquisition and related financing), interest expenses, income taxes, interest income, depreciation of property and equipment, amortization of intangible assets, amortization of right of use assets, share-based compensation expense, income from sale of assets, changes in fair value of embedded derivatives, change in fair value of contingent consideration, foreign exchange gains or losses, termination benefits, and impairment of intangible assets. 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 income (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 SIX-MONTH PERIODS ENDED JUNE 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 June 30, 2022**

- Total revenue increased by 141% to \$6.1 million from \$2.5 million for the same period in 2021, mainly as a result of \$3.4 million in revenues from the Pharmacy business unit versus \$nil for the same period in 2021.
- Gross margins were 52% compared to 59% 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 \$1.1 million compared to \$0.3 million for the same period in 2021. Adjusted EBITDA has increased with the addition of the Pharmacy business unit.
- 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 an increase in accounts receivable and inventory and payment of transaction costs related to the Magen Transaction.
- 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 \$3.4 million for the three-month period ended June 30, 2022.

#### **Six-month period ended June 30, 2022**

- Total revenue increased by 131% to \$11.3 million from \$4.9 million for the same period in 2021, mainly as a result of \$5.9 million in revenues from the Pharmacy business unit versus \$nil for the same period in 2021.
- Gross margins were 51% compared to 57% 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 \$2.0 million compared to \$0.7 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 \$5.4 million compared to \$4.9 million for the same period in 2021, an increase of 10% over the same period in 2021.
- The Pharmacy business unit was acquired on September 1, 2021.
  - Revenues were \$5.9 million for the six-month period ended June 30, 2022.

## **THE MAGEN TRANSACTION**

On March 16, 2022, subsequently amended July 29, 2022, Magen and the Company entered into a binding agreement (the “**Definitive Agreement**”), pursuant to which Magen and Grey Wolf propose to effect the Magen Transaction. In connection with the Magen Transaction: (i) certain convertible debentures issued by the Company during 2018 (the “**2018 convertible debentures**”), 2020 convertible debentures (as defined herein), 2021 convertible debentures (as defined herein), 2020 convertible preferred shares and 2021 convertible preferred shares will convert into common shares; (ii) Grey Wolf and a wholly-owned subsidiary of Magen will amalgamate and continue as one corporation (“**Amalco**”); (iii) holders of common shares will receive one Magen common share (on a post-consolidation basis) in exchange for each Grey Wolf common share they hold; (iv) the combined business and assets of Grey Wolf will become the business and assets and Amalco; (v) Amalco will continue as a wholly-owned subsidiary of Magen; (vi) the outstanding warrants, broker warrants and stock options to acquire Grey Wolf common shares will be exchanged for similar securities issued by Magen; and (vii) Magen will change its name to “Grey Wolf Animal Health Corp.”.

Immediately following completion of the Magen Transaction, former Grey Wolf shareholders will hold approximately 88.4% of the common shares of Resulting Issuer and former Magen shareholders will hold the remaining 11.6%. Accordingly, the Magen Transaction will constitute a “reverse take-over” for accounting purposes. For details about Resulting Issuer’s share capital structure as it will exist upon completion of the Magen Transaction, refer to the information set out in the Filing Statement under “Part IV- Information Concerning the Resulting Issuer - Pro Forma Consolidated Capitalization”.

Following the completion of the Magen Transaction, Resulting Issuer will carry on the business of Grey Wolf. Grey Wolf anticipates that there will be additional general and administrative expenses related to Resulting Issuer’s disclosure and filing obligations related to its stock exchange listing and its status as a “reporting issuer” under applicable securities laws; however, the Company does not expect the Magen Transaction to have a material effect on its overall financial condition, financial performance, or cash flows.

The Magen Transaction is described in greater detail in the Filing Statement under the heading “Part I – The Proposed Qualifying Transaction”.

## **COMPANY OVERVIEW AND STRATEGY**

Grey Wolf is a private company 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 compound innovative branded and generic products for sale 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, compounds 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		Six months ended	
	Jun 30, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021
Revenue	6,140,758	2,549,664	11,298,053	4,895,939
Gross profit	3,194,003	1,505,265	5,800,164	2,798,995
Gross profit %	52%	59%	51%	57%
Total operating expenses	3,428,525	1,408,826	5,997,858	2,612,766
Operating (loss) income for the period	(234,522)	96,439	(197,694)	186,229
Income tax (recovery) expense	(128,004)	-	(167,619)	-
Net loss for the period	(1,099,802)	68,027	(2,109,574)	108,121
<u>Earnings (Loss) per share</u>				
Basic	(0.08)	0.01	(0.14)	0.01
Diluted	(0.08)	-	(0.14)	-
EBITDA	(48,674)	364,051	160,517	693,060
Adjusted EBITDA	1,127,952	334,680	1,974,000	664,240
	<b>Jun 30, 2022</b>	<b>Dec 31, 2021</b>	<b>Dec 31, 2020</b>	
Total assets	35,555,961	36,233,587	7,179,496	
Total liabilities	33,493,867	32,157,341	4,357,304	
Total non-current financial liabilities	11,753,583	12,646,283	2,406,773	

### RESULTS OF OPERATIONS – THREE- AND SIX-MONTH PERIODS ENDED JUNE 30, 2022

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

Revenue for the three- and six-month periods ended June 30, 2022, increased 141% to \$6.1 million and 131% to \$11.3 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 the Animal Health business unit during 2022.

Total expenses for the three- and six-month periods ended June 30, 2022, increased 143% to \$3.4 million and 130% to \$6.0 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 \$1.0 million and \$1.3 million for the three- and six-month periods ended June 30, 2022.

Operating loss was \$0.2 million and \$0.2 million for the three- and six-month periods ended June 30, 2022, compared to an operating profit of \$0.1 million and \$0.2 million for the same periods in 2021. Operating profit has been impacted by \$1.0 million and \$1.3 million of costs for the three- and six-month periods ended June 30, 2022, respectively, related to the Magen Transaction.

### **Animal Health Business Unit**

Revenue for the three- and six-month periods ended June 30, 2022, increased 7% to \$2.7 million and 10% to \$5.4 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 \$2.5 million for the three- and six-month periods ended June 30, 2022. Cost of sales, when measured as a percentage of total revenue, was 44% and 46% compared to 41% and 43% for the three- and six-month periods ended June 30, 2022, and for the same periods in 2021.

Gross profit was \$1.5 million and \$2.9 million for the three- and six-month periods ended June 30, 2022, compared to \$1.5 million and \$2.8 million for the same periods in 2021.

### **Pharmacy Business Unit**

The Pharmacy Business unit was acquired on September 1, 2021, and therefore we are not presenting any comparative results.

Revenue for the three- and six-month periods ended June 30, 2022, was \$3.4 million and \$5.9 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 six-month periods ended June 30, 2022, was \$1.7 million and \$3.0 million, respectively. Cost of sales, when measured as a percentage of total revenue, was 51% and 51% for the three- and six-month periods ended June 30, 2022.

Gross profit was \$1.7 million and \$2.9 million for the three- and six-month periods ended June 30, 2022.

## EBITDA and Adjusted EBITDA

	Three months ended		Six months ended	
	Jun 30, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021
<b>Net loss for the period</b>	<b>(1,099,802)</b>	<b>68,027</b>	<b>(2,109,574)</b>	<b>108,121</b>
Interest	820,516	99,934	1,612,522	191,230
Income taxes	(128,004)	-	(167,619)	-
Depreciation of property and equipment	70,025	604	139,673	2,737
Depreciation of right of use assets	44,841	22,911	89,682	45,822
Amortization of intangible assets	243,750	172,575	595,833	345,150
<b>EBITDA</b>	<b>(48,674)</b>	<b>364,051</b>	<b>160,517</b>	<b>693,060</b>
<u>Adjustments</u>				
Share-based compensation	47,711	42,151	95,422	84,302
Change in fair value of embedded derivatives	154,956	(76,304)	472,700	(153,878)
Foreign exchange (gain) loss	17,812	4,782	4,277	(8,276)
Change in fair value of contingent consideration	-	-	-	72,972
Other income	-	-	(10,000)	(23,940)
Transaction costs	956,147	-	1,251,084	-
<b>Adjusted EBITDA</b>	<b>1,127,952</b>	<b>334,680</b>	<b>1,974,000</b>	<b>664,240</b>

EBITDA differs from net loss as it excludes: interest and accretion expense, income taxes, depreciation, and amortization of intangible assets. Refer to the “Cautionary Note Regarding Non-IFRS Financial Measures” section of this MD&A for a full reconciliation. EBITDA decreased \$0.4 million and \$0.5 million for the three- and six-months ended June 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). (refer to the “Cautionary Note Regarding Non-IFRS Financial Measures” section of this MD&A for a full reconciliation and description of these expenses). Adjusted EBITDA increased \$0.8 million and \$1.3 million for the three- and six-months ended June 30, 2022, as compared to the same period in 2021. Adjusted EBITDA primarily increased as a result of increased revenue 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 compound innovative branded and generic products for sale 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 six-month period ended June 30, 2022, the Animal Health business unit contributed \$5.4 million (48%) out of Grey Wolf’s consolidated revenues of \$11.3 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 compounding pharmaceuticals, primarily for equine applications but also for the bioidentical hormone replacement therapy market. Trutina 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 6-month period ended June 30, 2022, the Pharmacy business unit contributed \$5.9 million (52%) out of Grey Wolf's consolidated revenue of \$11.3 million during the period.

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

During the six-month period ended June 30, 2022, the Company incurred \$1.6 million in interest and accretion expenses.

As at June 30, 2022, the Company had a working capital surplus of \$4.7 million (including \$2.9 million cash but after backing out an aggregate \$17.9 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 and through new product launches. 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 six months ended June 30, 2022, the Company's cash levels were most impacted by an increase in accounts receivable and inventory and payment of transaction costs related to the Magen Transaction.

As at June 30, 2022, Grey Wolf had outstanding borrowings of \$10.5 million, of which \$1.0 are current and \$9.5 million are non-current. The terms and conditions of these borrowings are described in the Filing Statement under the heading 2021 CWB Loan.

In connection with the completion of the Magen Transaction:

- the 2018 convertible debentures will mature and Grey Wolf will be obliged to repay the outstanding aggregate principal amount in the form of common shares. In accordance with the terms of the 2018 convertible debentures, accrued interest will become due and payable. Grey Wolf's obligation to pay any accrued but unpaid interest at maturity, may be satisfied, in Grey Wolf's discretion, by payment in the form of cash or common shares.
- the 2020 convertible debentures will mature and Grey Wolf will be obliged to repay the outstanding aggregate principal amount in the form of common shares. Grey Wolf has paid, in cash, all interest that accrued up to and including June 30, 2022. Payment to be made in respect of interest accrued after June 30, 2022 will be made from available cash.
- the 2020 convertible preferred shares will be converted into common shares. Grey Wolf has paid, in cash, all dividends payable up to and including June 30, 2022. Payment to be made in respect of dividends accrued after June 30, 2022 will be made from available cash.
- the 2021 convertible debentures will mature and Grey Wolf will be obliged to repay the outstanding aggregate principal amount in the form of common shares. In accordance with the terms of the 2021 convertible debentures, accrued interest will become due and payable. Payment to be made in respect of such interest will be satisfied by payment in the form of common shares.
- the 2021 convertible preferred shares will be converted into common shares. Accrued dividends will become due and payable. Grey Wolf's obligation to pay any unpaid dividends will be satisfied by payment in the form of common shares.

For particulars of the number of common shares issuable in the above circumstances please refer to "Part III – Information Concerning the Target Company – Consolidated Capitalization" and "Part III - Information Concerning the Target

Company - Description of the Business - Financings” in the Filing Statement. Please also refer to “The Magen Transaction” in this MD&A and “Part I - The Proposed Qualifying Transaction” in the Filing Statement for a description of the Magen Transaction.

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 June 30, 2022 and the date of this MD&A, no amount is outstanding.

Grey Wolf ended the second quarter of 2022 with \$2.9 million in cash. In connection with the anticipated 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 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 six months ended June 30, 2022 was (\$0.8) million compared to \$0.9 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 six months ended June 30, 2022 was \$0.04 million compared to \$0.6 million for the same period in 2021. This decrease in cash used was due to the payment of contingent consideration in 2021 related to the previous VHS acquisition. All contingent consideration has now been paid.

### **Financing Activities**

Cash (used in) provided by financing activities for the six months ended June 30, 2022 was (\$0.6) million compared to \$0.04 million for the same period in 2021. This increase in cash used was primarily due to repayment of borrowings and lease liabilities in the current period.

## **RELATED PARTY TRANSACTIONS**

During the three and six months ended June 30, 2022, the Company paid a total of \$4,910 and \$9,796, respectively, (2021 – \$4,835 and \$9,645) to a related security holder for advisory services, accounting and bookkeeping services and office rent. As at June 30, 2022, \$1,000 (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.

See “Part III – Information Concerning the Target Company – Non-Arm’s Length Transactions” and “– Executive Compensation” in the Filing Statement and Note 20 to the Financial Statements.

## **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 June 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.

## 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 are 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 are entitled to be paid cumulative dividends, payable at a rate of 10.0% per annum. Dividends will accrue quarterly and are payable in a variable number of common shares on the earlier of completion of the Magen Transaction or the fifth anniversary of the date on which they were issued.

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

See "Part III - Information Concerning the Target Company - Description of the Business - Financings" in the Filing Statement for information about the payment of accrued dividends on the 2020 convertible debentures and 2021 convertible preferred shares in connection with completion of the Magen Transaction.

## QUARTERLY FINANCIAL INFORMATION

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

	Three months ended	
	Jun 30, 2022	Mar 31, 2022
Revenue	6,140,758	5,157,295
Gross profit	3,194,003	2,606,161
Gross profit %	52%	51%
Total operating expenses	3,428,525	2,569,333
Operating (loss) income for the period	(234,522)	36,828
Income tax (recovery) expense	(128,004)	(39,615)
Net loss for the period	(1,099,802)	(1,009,772)
<u>Earnings (Loss) per share</u>		
Basic	(0.08)	(0.06)
Diluted	(0.08)	(0.06)
EBITDA	(48,674)	209,191
Adjusted EBITDA	1,127,952	846,048

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Following completion of the Magen Transaction, the Company will be 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.

## **COVID-19**

The global outbreak of COVID-19 continues to be a threat to the global economy. The extent to which the COVID-19 pandemic may continue to impact the Company’s business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the pandemic, travel restrictions and social distancing in Canada, the United States and other countries, business closures or business disruptions and the effectiveness of actions taken by governments around the globe to contain and treat the disease. The measures taken to date have caused material disruptions to businesses globally, resulting in an economic slowdown.

As of the date of approval of this MD&A, there has not been a material adverse impact on the Company’s business due to the COVID-19 pandemic. The Company is in close contact with all its suppliers and distributors, and it has not experienced any material issues such as business interruptions, requests for changes in terms, supply shortages or similar negative impacts.

## **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. Following completion of the Magen Transaction, information about Resulting Issuer will be contained in disclosure documents filed by it with the applicable Canadian securities regulatory authorities and available under the Company’s issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**SCHEDULE "H"**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF TRUTINA**

**Trutina Pharmacy Inc.**

**Management's Discussion and Analysis**

**For the eight-month period ended August 31, 2021**

**October 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 Trutina Pharmacy Inc. ("**Trutina**" or the "**Company**") on October 28, 2022, is prepared for the eight-month period ended August 31, 2021. This MD&A is supplemental to the Company's audited financial statements for the eight-month period ended August 31, 2021, and year ended December 31, 2020, and as at January 1, 2020 (the "**Financial Statements**"). The Financial Statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**").

This MD&A is attached as a schedule to the filing statement of Magen Ventures I Inc. ("**Magen**") dated as of October 30, 2022 (the "**Filing Statement**"). The Filing Statement describes a business combination transaction which is proposed to be effected among, inter alia, Grey Wolf Animal Health Inc. ("**Grey Wolf**") the parent company of Trutina, and Magen ("**Magen Transaction**"). Completion of the Magen Transaction is subject to, among other things, the approval of the TSX Venture Exchange. See the Filing Statement for detailed information relating to the Magen Transaction.

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

The Company previously prepared its annual 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 its 2021 financial statements under IFRS. See Note 21 to the Financial Statements for details regarding Trutina's election to present its 2021 financial statements in accordance with IFRS.

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.

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

On September 1, 2021, Grey Wolf acquired all of the outstanding shares of Trutina (the "**Trutina Acquisition**"). For details of the Trutina Acquisition please refer to "Part III – Information Concerning the Target Company – Description of the Business – Development of the Business – Three Year History – Fiscal Year 2021" of the Filing Statement. From and after September 1, 2021, Trutina has operated as Grey Wolf's pharmacy business unit and is reflected in Grey Wolf's financial statements as a reportable segment.

Readers are cautioned that this MD&A is based on a stub period of eight-months ended August 31, 2022 and may include comparisons to the prior year ended December 31, 2020, making true comparisons of limited value.

## **HIGHLIGHTS FOR EIGHT-MONTH PERIOD ENDED AUGUST 31, 2021**

- Gross margin, defined as revenue less costs of sales over revenue, for the eight-month period ended August 31, 2021 was 48.2%, representing an increase of 0.6% over the year ended December 31, 2020.
- Earnings before interest, income taxes, depreciation and amortization (EBITDA) was 27.1% and 27.6% as a percentage of revenue for the eight-month period ended August 31, 2021 and the year ended December 31, 2020. EBITDA is a non-GAAP measurement, refer to reconciliation below.
- Net income was \$1.2 million in the eight-month period ended August 31, 2021, compared to \$1.5 million for the year ended December 31, 2020.
- The Company completed the eight-month period ended August 31, 2021 with cash of \$0.4 million, a decrease of \$0.4 million over December 31, 2020.

### **Highlights Subsequent to Year End**

- On September 1, 2021, the Company was acquired by Grey Wolf.

## **COMPANY OVERVIEW AND STRATEGY**

Trutina is a private company existing under the *Business Corporations Act* (Canada). Trutina is an independent Canadian compounding pharmacy that specializes in the formulation of innovative compounds for its customers.

## SELECTED ANNUAL FINANCIAL INFORMATION

	8-month period ended August 31, 2021 \$	Year ended December 31, 2020 \$
Total revenue	6,757,185	8,533,562
Cost of sales	3,498,924	4,475,641
Gross profit	3,258,261	4,057,921
Income before interest expense and income taxes	1,596,490	1,991,243
Net income and comprehensive income	1,208,185	1,501,707
Total assets	4,369,685	5,138,655
Total liabilities	3,078,529	2,008,434

### EBITDA

Net income and comprehensive income	1,208,185	1,501,707
Add back:		
Interest expense	26,705	21,756
Income tax expense	361,600	467,780
Depreciation of property and equipment	178,952	286,851
Depreciation of right-of-use assets	53,401	80,103
EBITDA	1,828,843	2,358,197

EBITDA differs from net income as it excludes: interest; income taxes; and depreciation.

## DISCUSSION OF OPERATIONS – EIGHT-MONTH PERIOD ENDED AUGUST 31, 2021

This section of the MD&A contains a discussion of Trutina's operations for the eight-month period ended August 31, 2021, which is not fully comparable to the prior period, which is the year ended December 31, 2020.

Total revenue was \$6.8 million and \$8.5 million for the eight-month period ended August 31, 2021, and the year ended December 31, 2020, respectively.

Cost of sales consists of components and ingredients used to compound medications, labour and overhead attributable to the compounding process. Cost of sales was \$3.5 million and \$4.5 million for the eight-month period ended August 31, 2021, and the year ended December 31, 2020, respectively. Cost of sales remained consistent when measured as a percentage of total revenue.

Gross profit was \$3.3 million and \$4.1 million for the eight-month period ended August 31, 2021, and the year ended December 31, 2020, respectively.

Sales and marketing expenses were \$0.5 million and \$0.7 million for the eight-month period ended August 31, 2021, and the year ended December 31, 2020, respectively. Sales and marketing expenses have remained consistent as a percentage of revenue.

Distribution expenses were \$0.5 million and \$0.5 million for the eight-month period ended August 31, 2021, and the year ended December 31, 2020, respectively. Distribution expenses increased due to increased freight costs because of the increased volume of shipments and changes in delivery requirements.

General and administrative expenses were \$0.6 million and \$0.8 million for the eight-month period ended August 31, 2021, and the year ended December 31, 2020, respectively. General and administrative expenses have remained stable net of closing costs associated with the Trutina Acquisition.

Operating income for the eight-month period ended August 31, 2021, was \$1.6 million compared to an operating income of \$2.0 million for the year ended December 31, 2020. As a percentage of revenue, operating income was 23.6% for the eight-month period ended August 31, 2021 which compared to 23.3% for the year-ended December 31, 2020.

## **OUTLOOK**

Trutina was acquired on September 1, 2021 by Grey Wolf for closing consideration of \$20.2 million cash and 1,091,500 common shares of Grey Wolf at a value of \$1.50 per common share. Subsequent to closing of the Trutina Acquisition, an additional \$0.5 million was paid to the vendor as a result of post-closing adjustments to the purchase price based on the actual balances of cash and accounts payable at the time of closing.

Trutina carries on the business of compounding pharmaceuticals. Trutina receives prescriptions from veterinarians, physicians and patients specifying the exact dosage and format of specified ingredients, compounds the product at its facility and ships compounded medication directly to its customers.

During 2022, the Company expects to focus its efforts on growth through increased sales of its existing product lines.

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 \$0.4 million to \$0.4 million for August 31, 2021 compared to a closing cash balance of \$0.8 million at December 31, 2020. The closing cash balance was reduced through early payment of accounts payables in anticipation of the acquisition of Trutina by Grey Wolf.

Working capital, a non-GAAP financial measure defined as current assets less current liabilities, remained stable from December 31, 2020 to August 31, 2021. This stability was primarily due to increases in accounts receivable (\$0.2 million), and decreases in cash (\$0.4 million), dividends payable (\$0.4 million) and accounts payable (\$0.2 million).

### **Operating Activities**

Cash provided by operating activities was unchanged at \$1.4 million for the eight-month period ended August 31, 2021 and for the year ended December 31, 2020.

### **Investing Activities**

The Company has not required significant expenditures in property and equipment since the completion of their new facility in 2017.

### **Financing Activities**

As Trutina has generated positive operating cash flows and has had no significant capital expenditures, the Company has had no need to seek outside financing.

## **RELATED PARTY TRANSACTIONS**

During the eight-month period ended August 31, 2021 and the year ended December 31, 2020, the Company paid a total of \$1.2 million, and \$1.2 million respectively to a company controlled by a relative of one of its shareholders, in exchange for raw materials and other items used in our ordinary course of business.

As at August 31, 2021, \$nil (December 31, 2020 – \$0.2 million) was payable to this supplier. The Company believes that the transactions were done on an arm's-length basis.

As Trutina was acquired on September 1, 2021, any future transactions with this supplier will no longer be classified as related party transactions.

Compensation was paid in the ordinary course of business to the Company's officers for services rendered in those capacities. See Note 18 to the Financial Statements.

## **OFF -BALANCE SHEET ARRANGEMENTS**

The Company had no off-balance sheet arrangements as of August 31, 2021.

## **CAPITAL STRUCTURE**

The Company's authorized share capital consists of an unlimited number of voting Class A Special shares, an unlimited number of non-voting Class B Series 1 Special shares, an unlimited number of voting Class B Series 2 Special shares, 1,637,250 non-voting Class B Series 3 Special shares, redeemable and retractable at \$1 per share and, an unlimited number of voting Class B Series 4 Special shares.

As of August 31, 2021 and the date of this MD&A, the Company had outstanding 10,000,000 Class B Series 1 Special shares, 1,637,250 Class B Series 3 Special shares and 100 Class B Series 4 Special shares.

## **DIVIDENDS AND DIVIDEND POLICY**

The Company has consistently paid a discretionary level of dividends, with the amount of dividends consistent to the cash flow generated during that period.

Prior to the acquisition by Grey Wolf, the Company paid on an annual basis most of the excess cash out as dividends. Dividends declared were \$1.4 million and \$1.2 million for the eight-month period ended August 31, 2021 and the year ended December 31, 2020.

## **QUARTERLY FINANCIAL INFORMATION**

The Company did not prepare quarterly financial statements for the past eight most recent financial quarters.

See "Selected Annual Financial Information" in this MD&A.

## **COVID-19**

The global outbreak of COVID-19 continues to be a threat to the global economy. The extent to which the COVID-19 pandemic may continue to impact the Company's business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the pandemic, travel restrictions and social distancing in Canada, the United States and other countries, business closures or business disruptions and the effectiveness of actions taken by governments around the globe to contain and treat the disease. The measures taken to date have caused material disruptions to businesses globally, resulting in an economic slowdown.

As of the date of approval of this MD&A, there has not been a material adverse impact on the Company's business due to the COVID-19 pandemic. The Company is in close contact with all

its suppliers, and it has not experienced any material issues such as business interruptions, requests for changes in terms, supply shortages or similar negative impacts.

## **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 the financial statements are set out in Note 11 to the 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 is contained in the Filing Statement which is not part of this MD&A. Certain financial information about Trutina for the four-month period ended December 31, 2021 is contained in the audited annual financial statements of Grey Wolf (including Note 24 thereto) which are attached as a schedule to the Filing Statement.

## SCHEDULE "I"

### SUMMARY OF VALUATION REPORT

#### Background

Grey Wolf Animal Health Inc. ("**Grey Wolf**" or the "**Company**"), a Toronto, Ontario based private company operating in the Animal Health industry in Canada, entered into a non-binding letter of intent dated January 26, 2022 (the "**LOI**") with Magen Ventures I Inc. ("**Magen**"), pursuant to which Magen and Grey Wolf intend to complete a transaction that will result in the reverse takeover of Magen by Grey Wolf (the "**Proposed Transaction**"). Magen is a reporting issuer whose shares are listed for trading on the TSX Venture Exchange ("**TSXV**") under the ticker symbol of MAGN.P.

Grey Wolf selected Kalex Valuations Inc. ("**Kalex**") as an independent valuator for the preparation of a comprehensive valuation of Grey Wolf in relation to the Proposed Transaction.

#### Selection of Kalex Valuations Inc.

Grey Wolf first contacted Kalex on February 1, 2022, and thereafter determined that Kalex was independent and qualified to prepare and deliver a comprehensive valuation of 100% of the equity of Grey Wolf (the "**Valuation**"). Accordingly, on February 4, 2022, Grey Wolf formally engaged Kalex and entered into an engagement agreement (the "**Engagement Agreement**").

Under the terms of the Engagement Agreement, Grey Wolf agreed to pay Kalex a customary fee and also undertook to indemnify Kalex against loss, damage or claim of any kind which may have occurred in connection with its preparation of the Valuation. The fees paid to Kalex were based solely on hours spent and were in no way contingent upon the results of the Valuation or the use of same.

#### Independence and Disinterestedness of Kalex Valuations Inc.

Kalex is independent and objective in connection with the Valuation. No member of Kalex has any stake, directly or indirectly, in the results of its valuation calculations. Kalex has not acted as an auditor to Grey Wolf, or any of its affiliates or associates, and has not entered into any specific arrangements or understandings regarding any future business dealings with such entities.

#### Scope of Review

In connection with rendering the Valuation, Kalex reviewed and relied upon those items identified in the Valuation under the heading "Scope of Review". In addition, Kalex had discussions with senior representatives of Grey Wolf and Bloom Burton & Co. The Engagement Agreement imposed no limitations on the scope of review undertaken by Kalex.

#### Assumptions, Restrictions and Limitations

Kalex prepared the Valuation under the assumption that the principal of Grey Wolf's convertible debentures and the book value of Grey Wolf's outstanding convertible preferred shares were converted to common shares of the Company as at the Valuation date.

Kalex relied upon, without independent verification, certain information and representations provided to it by Grey Wolf. Kalex also relied upon a representation letter from a senior representative of Grey Wolf with respect to the accuracy, completeness, and fairness of the information, representations and other materials provided to it by or on behalf of Grey Wolf, and that the Company did not omit to state any material fact or material information that would reasonably be expected to affect Kalex's conclusions.

Kalex has relied upon projected financial forecasts provided to it by Grey Wolf, and assumed that they represent management's best estimates of the future operating results of Grey Wolf based on conditions existing at the Valuation date.

In preparing the Valuation, Kalex made a number of assumptions based on certain economic, financial, and general business conditions prevailing as at the Valuation date, and on the condition, prospects and intentions of Grey Wolf as represented by management to Kalex. Many of these assumptions are beyond the control of Kalex, Grey Wolf, and any other party involved in the Proposed Transaction.

In its Valuation, Kalex stated that it believes its analyses and comments must be considered as a whole. Selecting portions of its analyses or the factors it considered, without considering all factors and analyses together, could create a misleading view of the approaches underlying the Valuation.

### **Definition of Fair Market Value**

For the purposes of the Valuation, fair market value is the highest price available in an open and unrestricted market between informed, prudent parties acting at arm's length and under no compulsion to act, expressed in terms of money or money's worth, represented by Canadian dollars.

### **Valuation Methodology**

For the purpose of determining the fair market value of Grey Wolf, Kalex considered the following methodologies, which are described in greater detail in the Valuation:

- the assets method;
- the earnings method (or variations thereof such as capitalized cash flow or discounted cash flow); and
- the market or sales comparison approach.

The assets method is used to determine the value of shares where: (a) asset values constitute the prime determinant of corporate worth, depending on the nature of the operations (e.g., a real estate holding company or an investment holding company); or (b) liquidation is contemplated because the business is not viable as an ongoing operation. If the consideration of all relevant facts establishes that the assets method is applicable, the valuation can be based on either the adjusted book value or shareholder's equity, or the liquidation value, depending on the facts.

The earnings method contemplates the continuation of the business' operations, as if the business is a "going concern". It is used where the business (shares or assets) being valued is earning a fair return on its capital employed and the hypothetical purchaser wishes to acquire the future indicated earnings generated by the enterprise. That is, the earnings value of a going-concern is based upon the yield to an investor, at the desired rate of return on his investment, having regard to a number of factors.

The market or sales comparison approach to valuation is a general way of determining a value indication of a business or an equity interest therein using one or more methods that compare the subject entity to similar businesses, business ownership interests and securities (investments) that have been sold.

Based on Kalex's review and analysis, it selected the earnings method to value Grey Wolf as it believed that the Company had earned, and was expected to continue to earn, a reasonable rate of return on invested capital assets. It also used the market approach to test the reasonability of its value conclusion, as described further in the Valuation.

**Valuation Conclusion**

Kalex delivered the Valuation, dated March 17, 2022, to Grey Wolf. Based on and subject to the restrictions, qualifications, and assumptions set out in the Valuation and such other factors as Kalex considered relevant, Kalex determined that, as of December 31, 2021, on a pro forma basis, the fair market value of the Company is in the range of \$52,868,000 to \$66,230,000. Kalex also determined the fair market value of the equity of Grey Wolf as at December 31, 2021, on a fully diluted pro forma basis, to be in the range of \$2.06 to \$2.58 per share.