

**GREY WOLF ANIMAL HEALTH  
CORP.**

**Management's Discussion and Analysis  
For the years ended December 31, 2022 and 2021**

**April 24, 2023**

## 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 Corp. ("**Grey Wolf**" or the "**Company**") on April 19, 2023, is prepared for the years ended December 31, 2022 and December 31, 2021. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2022 and December 31, 2021 (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 should be read in conjunction with the Financial Statements.

When used in this MD&A:

- "**GWAH**" means Grey Wolf Animal Health Inc.;
- "**Trutina**" means Trutina Pharmacy Inc.;
- "**Trubalance**" means Trubalance Healthcare Inc.;
- "**Animal Health business unit**" primarily focuses on selling, marketing and distributing pharmaceutical, nutraceutical and consumable products to veterinary clinics across Canada.
- "**Pharmacy business unit**" compounds pharmaceuticals, primarily for equine use but also for the bio-identical hormone replacement therapy market.
- "**2020 convertible preferred shares**" means the Class A preferred shares issued by GWAH as part of the March 2021 Offering;
- "**2021 convertible preferred shares**" means the Series B preferred shares issued by GWAH as part of the August 2021 Offering;
- "**common shares**" means common shares in the capital of the Company;
- "**Resulting Issuer**" means Magen (as defined herein) as it exists from time-to-time following completion of the Magen Transaction (as defined herein);
- "**Resulting Issuer common shares**" means common shares in the capital of Resulting Issuer;
- "**TSXV**" means the Toronto Stock Exchange - Venture

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 "forward-looking statements" and certain "forward looking information" as defined under applicable Canadian securities laws. 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 to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. 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 MD&A. 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, the economy generally, market participants' interest in Grey Wolf'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. 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 MD&A.

While Grey Wolf anticipates that subsequent events and developments may cause its views to change, Grey Wolf 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 Grey Wolf as of any date subsequent to the date of this MD&A. Although Grey Wolf has 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. Additional factors are noted under "Risk Factors" in this MD&A. The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A and Grey Wolf disclaims any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable law.

## **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 Magen Transaction, the Trutina Acquisition and related financing), interest and accretion expenses, income taxes, depreciation of property and equipment, depreciation of right of use assets, amortization of intangible assets, share-based compensation, change in fair value of embedded derivatives, foreign exchange gains or losses, change in fair value of contingent consideration, and other income. The Company considers Adjusted EBITDA as an additional metric in assessing business performance and an important measure of operating performance and cash flow, providing useful information to help analyze and compare profitability between companies for 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 and Trubalance. For details of the Trutina Acquisition please refer to "Significant Transactions During 2021 – Trutina Acquisition" in this MD&A.

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 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 FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2022**

*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 2022**

- The Company completed the Magen Transaction during the fourth quarter of 2022 and listed on the TSXV under the symbol "WOLF".

- Total revenue increased by 16.2% to \$5.5 million from \$4.8 million for the same period in 2021, as a result of organic revenue growth from both the Animal Health and Pharmacy business units.
- Gross margins were 51% compared to 53% for the same period in 2021. Gross margins were impacted by the addition of the Pharmacy business unit and product mix in the Animal Health business unit and have remained consistent with previous quarters in 2022.
- Adjusted EBITDA was \$0.7 million compared to \$0.4 million for the same period in 2021.
- The Company completed the quarter with cash of \$6.9 million, an increase of \$2.5 million compared to the year ended December 31, 2021. The Company's cash levels were most impacted by cash received with completion of the Magen Transaction, offset by transaction costs related to the Magen Transaction and by an increase in trade and other receivables and inventory.
- The Animal Health business unit saw growth in sales due mainly to an increase in sales of established products and from new products introduced during the period.
  - Revenues were \$3.0 million, representing an increase of 26.2% over the same period in 2021.
  - Gross margin was 57.3%, compared to 55.4% for the same period in 2021.
- The Pharmacy business unit saw growth due to increased sales of established products.
  - Revenues were \$2.6 million, representing an increase of 6.5% over the same period in 2021.
  - Gross margin was 43.0%, compared to 50.8% for the same period in 2021.

### Highlights for the Full Year 2022

- The Company completed the year with a cash position of \$6.9 million compared with \$4.4 million for 2021.
- Revenue increased by 72.8% to \$22.6 million from \$13.1 million for 2021. Growth was driven by:
  - Organic growth in sales from the Animal Health business unit whose revenues were \$11.0 million compared with \$9.8 million for 2021, representing an increase of 12.8% over 2021; and
  - The acquisition of the Pharmacy business unit which achieved sales of \$11.6 million for the year 2022 versus \$3.3 million in 2021 during the four months following the Trutina Acquisition.
- Gross margins were 51.0% compared to 54.6% 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 \$3.5 million compared to \$2.0 million in 2021.

## SIGNIFICANT TRANSACTIONS DURING 2022

### THE MAGEN TRANSACTION

On March 16, 2022, Magen Ventures I Inc. (Magen) and GWAH entered into a binding agreement (the “**Definitive Agreement**”), pursuant to which Magen and GWAH proposed to effect the Magen Transaction. In connection with the Magen Transaction: (i) certain convertible debentures issued by GWAH 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 converted into common shares; (ii) GWAH and a wholly-owned subsidiary of Magen amalgamated and continued as one corporation (“**Amalco**”); (iii) holders of common shares received one Magen common share (on a post-consolidation basis) in exchange for each GWAH common share they hold; (iv) the combined business and assets of GWAH became the business and assets and Amalco; (v) Amalco continued as a wholly-owned subsidiary of Magen; (vi) the outstanding warrants, broker warrants and stock options to acquire GWAH common shares were exchanged for similar securities issued by Magen; and (vii) Magen will change its name to “Grey Wolf Animal Health Corp.”.

On July 29, 2022, Magen and GWAH entered into an amending agreement (the “**Amending Agreement**”) to the previously announced business combination agreement dated March 16, 2022 (the “**BCA**”), which outlines the terms and conditions pursuant to which Magen and GWAH will complete a transaction that resulted in a reverse take-over of Magen by GWAH. The Amending Agreement amended the BCA by: (a) extending the outside date from July 31, 2022 to November 30, 2022; and (b) amending the consolidation ratio of the Magen common shares from “19.1667 to 1” to “16.6667 to 1” or such other ratio as may be agreed to between Magen and GWAH.

On November 2, 2022, Magen announced that it received conditional acceptance from the TSXV for the closing of its proposed qualifying transaction (the “**Qualifying Transaction**”) as discussed above with GWAH and had filed its filing

statement in connection with the Qualifying Transaction.

On November 15, 2022, the company entered into an amalgamation agreement with Magen, to complete a qualifying transaction as discussed above and defined under Policy 2.4 - Capital Pool Companies of the TSXV. After the amalgamation, Magen changed its name to Grey Wolf Animal Health Corp.

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

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

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

Pursuant to the amalgamation, each outstanding GWAH common share was exchanged for one fully paid common share of Grey Wolf.

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

On November 23, 2022, the shares of Grey Wolf commenced trading on the TSXV under ticker symbol WOLF.

## **SIGNIFICANT TRANSACTIONS DURING 2021**

### **Trutina Acquisition**

On September 1, 2021, Grey Wolf completed the Trutina Acquisition to acquire 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.

Subsequent to the 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 innovative products primarily for equine health and Trubalance was a 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, 2022.

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 consisted 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 accrued interest quarterly, in arrears, at a rate of 10.0% per annum which was payable in common shares at the current market price as part of the Magen Transaction.

Each 2021 Preferred Share Unit consisted of (i) 5,000 2021 convertible preferred shares, and (ii) 1,250 2021 Investor Warrants. Dividends in respect of each 2021 convertible preferred shares accrued quarterly, in arrears, at a rate of 10.0% per annum and were 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 were entitled to be paid interest quarterly, in arrears, at a rate of 5.0% per annum.

Holders of 2020 convertible preferred shares were entitled to be paid cash dividends payable quarterly, in arrears, at a rate of 5.0% per annum.

## COMPANY OVERVIEW AND STRATEGY

Grey Wolf was incorporated under the Business Corporations Act (Ontario) on February 9, 2021, as Magen and was classified as a Capital Pool Company as defined pursuant to Policy 2.4 of the TSXV.

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 branded and generic products for sale in Canada.

Grey Wolf currently operates two business units: (1) the Animal Health business unit and (2) 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 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 perspective, etc. to determine its fit within Grey Wolf's business and growth strategy.

## SELECTED ANNUAL FINANCIAL INFORMATION

	Twelve months ended	
	Dec 31, 2022	Dec 31, 2021
Revenue	22,635,367	13,095,439
Gross profit	11,564,344	7,148,969
Gross profit %	51%	55%
Total operating expenses	11,920,289	7,078,559
Operating (loss) income for the period	(355,945)	70,410
Income tax recovery	(796,778)	(922,186)
Net profit (loss) for the period	2,543,196	(968,939)
<u>Earnings (loss) per share</u>		
Basic and diluted	0.152	(0.069)
EBITDA	9,984,783	885,709
Adjusted EBITDA	3,484,026	1,953,081
	Dec 31, 2022	Dec 31, 2021
Total assets	39,309,105	36,233,587
Total liabilities	15,061,717	32,157,341

## **RESULTS OF OPERATIONS – THREE- AND TWELVE-MONTH PERIODS ENDED DECEMBER 31, 2022**

This section of the MD&A contains a discussion of Grey Wolf's operations for the three- and twelve-month periods ended December 31, 2022. 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 this 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, 2022, increased 16.2% to \$5.5 million and 72.8% to \$22.6 million, respectively, over the same periods in 2021. These increases were mainly due to organic revenue growth from the Animal Health business unit during 2022, and the Trutina Acquisition on September 1, 2021.

Total expenses for the three- and twelve-month periods ended December 31, 2022, increased 10.1% to \$2.9 million and 68.4% to \$11.9 million, respectively, over the same periods in 2021. 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 2022 as the sales and marketing team resumed attendance at conventions, trade shows and customer visits that did not occur in 2021 due to COVID-19 safety protocols. Finally, there was an increase in professional fees and outside services related to the Magen Transaction, completed in 2022, as compared to professional fees and outside services related to Grey Wolf's financing activities and the Trutina Acquisition completed in 2021.

Operating loss for the three and twelve-month periods ended December 31, 2022, was a loss of \$0.15 million and a loss of \$0.36 million compared to an operating loss of \$0.15 million and a profit of \$0.07 million for the three and twelve-month periods ended December 31, 2021, largely as the growth in revenue was offset by costs related to the Magen Transaction as compared to Grey Wolf's financing activities and the Trutina Acquisition in the prior period.

### **Animal Health Business Unit**

Total revenue was \$3.0 million and \$11.0 million for the three and twelve-month periods ended December 31, 2022, respectively, compared to \$2.3 million and \$9.8 million for the same periods in 2021. 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 \$1.3 million and \$4.9 million for the three and twelve-month periods ended December 31, 2022, respectively, compared to \$1.0 million and \$4.2 million for the same periods in 2021. 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 2022, 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 \$1.7 million and \$6.1 million for the three and twelve-month periods ended December 31, 2022, respectively, compared to gross profit of \$1.3 million and \$5.5 million for the three and twelve-months period ended December 31, 2021, respectively. This increase was due primarily to increased revenues.

### **Pharmacy Business Unit**

Total revenue from the Pharmacy business unit was \$2.6 million and \$11.6 million for the three and twelve-month periods ended December 31, 2022, respectively, compared to \$2.4 million and \$3.3 million for the same periods in 2021, having contributed for a period of only four months in 2021 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 \$1.5 million and \$6.2 million for the three and twelve-month periods ended December 31, 2022, respectively, compared to \$1.2 million and \$1.7 million for the same periods in 2021, having contributed for a period of only four months in 2021 following the Trutina Acquisition.

Gross profit was \$1.1 million and \$5.5 million for the three and twelve-month periods ended December 31, 2022, respectively, compared to gross profit of \$1.2 million and \$1.6 million for the same periods in 2021, having contributed for a period of only four months in 2021 following the Trutina Acquisition.

## EBITDA and Adjusted EBITDA

	Three months ended		Twelve months ended	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
<b>Net income (loss) for the period</b>	<b>5,796,578</b>	<b>(153,710)</b>	<b>2,543,196</b>	<b>(968,939)</b>
Interest and accretion expense	4,216,660	768,549	6,682,150	1,655,101
Income taxes	(554,749)	(939,517)	(796,778)	(922,186)
Depreciation of property and equipment	74,524	60,706	284,873	93,880
Depreciation of right of use assets	48,904	51,238	188,309	120,885
Amortization of intangible assets	243,450	335,076	1,083,033	906,968
<b>EBITDA</b>	<b>9,825,367</b>	<b>122,342</b>	<b>9,984,783</b>	<b>885,709</b>
<u>Adjustments</u>				
Share-based compensation	68,045	54,538	211,178	180,991
Change in fair value of embedded derivatives	(9,615,676)	175,314	(8,818,649)	267,534
Foreign exchange loss (gain)	10,604	(29)	44,136	(9,823)
Change in fair value of contingent consideration	-	-	-	72,972
Other income	-	(309)	(10,000)	(24,249)
Financing and special transaction costs	446,483	28,035	2,072,578	579,947
<b>Adjusted EBITDA</b>	<b>734,823</b>	<b>379,891</b>	<b>3,484,026</b>	<b>1,953,081</b>

EBITDA differs from net income (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 2022 increased by \$9.1 million compared to the corresponding period in 2021. The increase in EBITDA is primarily due to the change in the fair value of embedded derivatives and 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 Magen Transaction, the Trutina Acquisition and related financing), interest and accretion expenses, income taxes, depreciation of property and equipment, depreciation of right of use assets, amortization of intangible assets, share-based compensation, change in fair value of embedded derivatives, foreign exchange gains or losses, change in fair value of contingent consideration, and other income. (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 \$1.5 million for the twelve-months ended 2022, compared to the corresponding period in 2021. Adjusted EBITDA primarily increased as a result of increased revenue in the Animal Health unit and the contribution of the Pharmacy unit for the twelve-month period ended December 31, 2022.

## 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 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.

The Company opened 2022 with \$4.4 million in cash. During the year, the Company added \$4.4 million to its cash resources from the completion of the Magen Transaction, offset by \$1.1 million repayment of borrowings and payment of the principal portion of lease liabilities. As a result of revenue growth from the Animal Health business unit and the revenue from the Pharmacy business unit, offset by costs related to the Magen Transaction the Company used cash from operations of \$0.7 million. The Company closed 2022 with \$6.9 million in cash, representing a 57.6% increase over its cash position at the end of 2021.

As at December 31, 2022, the Company had a working capital surplus of \$8.2 million (including \$6.9 million cash) compared to \$5.1 million for 2021<sup>1</sup>. During 2023, 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 2023 without the need for additional external financing.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's closing cash balance increased by \$2.5 million to \$6.9 million for 2022 compared to a closing cash balance of \$4.4 million for 2021.

Working capital increased by \$2.8 million to \$7.9 million for 2022 compared to \$5.1 million for 2021<sup>1</sup>. This increase was primarily due to increases in cash, trade and other receivable, and inventory of \$2.5 million, \$0.8 million, and \$0.9 million, respectively, which was offset by increases in current liabilities of \$1.6 million. The increases in cash, trade and other receivables, 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 and completion of the Magen Transaction.

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

As at December 31, 2022, Grey Wolf had outstanding borrowings of \$10.1 million, of which \$1.05 million are current and \$9.05 million are non-current. On August 25, 2021, the Company entered into a \$11,500,000 financing arrangement with CWB Maxium Financial Inc. The loan bears fixed interest at a rate of 4.0% per annum on \$10,000,000 and 10.0% per annum on the remaining \$1,500,000. The loan is secured and initially repayable in 60 equal monthly instalments of \$120,742 which commenced on October 1, 2021. The Company has an annual debt service coverage ratio financial covenant and is in compliance with this debt covenant as of December 31, 2022.

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, 2022 and the date of this MD&A, no amount is outstanding.

Grey Wolf believes that the performance of the Animal Health and Pharmacy business units and the completion of the Magen Transaction left it with a stronger balance sheet as at December 31, 2022 than it had at the end of 2021. In

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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.

connection with the completion of the Magen Transaction, the conversion into common shares of up to the aggregate outstanding principal amount of the 2018, 2020 and 2021 convertible debentures 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 have further strengthened 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 (used in) provided by operating activities was (\$0.7) million in 2022 compared to \$2.1 million for the same period in 2021. This decrease was primarily due to the combination of the financial impact of the Pharmacy business unit; increased sales revenue from the Animal Health business unit; and the timing of working capital items such as payables and receivables offset by costs related to the Magen Transaction.

Of the above factors, costs related to the Magen Transaction was the most significant reason why cash from operations decreased by \$2.8 million compared to cash provided by operations of \$2.1 million in 2021.

### **Investing Activities**

Cash provided by (used in) investing activities was \$4.4 million in 2022 compared to (\$23.2) million in 2021. This increase was the result of \$4.4 million received in completion of the Magen Transaction versus \$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.

### **Financing Activities**

Cash (used in) provided by financing activities was (\$1.1) million in 2022 compared to \$23.3 million in 2021. During 2022, Grey Wolf continued to fund the repayment of borrowings and payment of the principal portion of lease liabilities.

As at December 31, 2022 and the date of this MD&A Grey Wolf was in compliance with all covenants under the CWB Loan and RBC Facility.

## **RELATED PARTY TRANSACTIONS**

During the year, the Company paid a total of \$19,741 (2021 – \$19,314) to a related security holder for advisory services and office rent. As at December 31, 2022, \$1,358 (2021 – \$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 \$nil (2021 – \$317,096) in relation to the Company's convertible debenture and convertible preferred share financing. An amount of \$nil (2021 – \$nil) was included in accounts payable and accrued liabilities as at December 31, 2022.

During the prior year, the Company paid a transaction cost to a related security holder of \$241,500 in relation to the CWB credit loan (note 12) and issued broker warrants (note 15).

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 15) 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.

## **OFF -BALANCE SHEET ARRANGEMENTS**

The Company had no off-balance sheet arrangements as of December 31, 2022.

## CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of common shares. As of December 31, 2022, and the date of this MD&A, the Company had 31,032,222 common shares outstanding.

## 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.

## QUARTERLY FINANCIAL INFORMATION

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

	Three months ended						
	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	June 30, 2021
Revenue	5,528,231	5,809,083	6,140,758	5,157,295	4,759,149	3,440,315	2,549,664
Gross profit	2,798,683	2,965,497	3,194,003	2,606,161	2,524,817	1,825,157	1,505,265
Gross profit %	51%	51%	52%	51%	53%	53%	59%
Total operating expenses	2,945,266	2,977,165	3,428,525	2,569,333	2,674,519	1,791,274	1,408,826
Operating (loss) income for the period	(146,583)	(11,668)	(234,522)	36,828	(149,702)	33,883	96,439
Income tax recovery	(554,749)	(74,410)	(128,004)	(39,615)	(939,517)	17,331	-
Net profit (loss) for the period	5,796,578	(1,143,808)	(1,099,802)	(1,009,772)	(153,710)	(923,350)	68,027
<u>Earnings (loss) per share</u>							
Basic and diluted	0.37	(0.08)	(0.08)	(0.06)	(0.01)	(0.07)	0.01
EBITDA	9,825,367	(1,101)	(48,674)	209,191	122,342	70,307	364,051
Adjusted EBITDA	734,823	775,203	1,127,952	846,048	379,891	718,774	516,857

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

With the completion of the Magen Transaction, Grey Wolf Animal Health Corp. is a "venture issuer" as defined by National Instrument 51-102 - *Continuous Disclosure Obligations*. As such, the Chief Executive Officer and the Chief Financial Officer are 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 files a Certification of Annual Filings – Venture Issuer Basic Certificate or Certification of Interim Filings – Venture Issuer Basic Certificate, as the case may be, pursuant to which the Chief Executive Officer and the Chief Financial Officer certify the performance of a review of the information, no knowledge of misrepresentations and the fair presentation of the information in the annual or interim filings, as applicable.

## RISK FACTORS

Before an investor decides whether to invest in Grey Wolf's securities, the following risks and uncertainties should be considered; together with all the other information included in this MD&A, in the Filing Statement under the heading "Part V - General Matters - Risk Factors", and in Grey Wolf's other public filings.

### Risks Related to our Securities

#### Volatile Market Price for the Common Shares

The Company's common shares are currently listed and posted for trading on the TSXV. The market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the

Company's control, including the following: (i) actual or anticipated fluctuations in our quarterly results of operations; (ii) changes in our estimates of our future results of operations; (iii) changes in forecasts, estimates or recommendations of securities research analysts regarding our future results of operations or financial performance; (iv) changes in the economic performance or market valuations of other companies that investors deem comparable to us; (v) additions or departures of our senior management team or other key employees; (vi) sales or perceived sales of additional common shares; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; (viii) news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in our industry or target markets in which the Company operates; (ix) macroeconomic developments in North America and globally; and (x) market perceptions of the attractiveness of particular industries. Financial markets have in the past experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the common shares may decline even if our operating results, financial condition, or prospects have not changed. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, our business, financial condition and results of operations could be materially adversely impacted, and the trading price of the common shares could be materially adversely affected.

### Liquidity

The market price of the common shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time-to-time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the common shares. There can be no assurance that an active and liquid market will be developed for the common shares, and if developed, it may not be sustained, and an investor may find it difficult to resell any securities of the Company.

### No Immediate Plan to Declare Dividends

We currently intend to retain future earnings, if any, for future operation and expansion and have no current plans to pay any dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, our financial results, cash requirements, contractual restrictions, and other factors that the Board may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we incur. As a result, investors may not receive any return on an investment in their common shares unless they sell them for a price greater than that which they paid for it.

### Dilution

The Company may require additional funds in respect of the further development of its business. If the Company raises funds by issuing additional equity securities, such financing will dilute the equity interest of its shareholders.

### Sales of Substantial Amounts of the Common Shares

Sales of substantial amounts of the common shares or the availability of such securities for sale, could adversely affect the prevailing market price for the common shares. A decline in the market price of the common shares could impair the Company's ability to raise additional capital through the sale of securities should it desire to do so.

### Securities or Industry Analysts

The trading market for the common shares will depend in part on the research and reports that securities or industry analysts publish about the Company or our business. The Company does not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence covering us, the trading price for the common shares may be negatively impacted. If the Company obtains securities or industry analyst coverage and if one or more of the analysts who cover us downgrade the common shares or publish inaccurate or unfavorable research about our business, the trading price of the common shares may decline. If one or more of these analysts cease coverage of the Company or fail to publish reports on us regularly, demand for the common shares could decrease, which could cause the trading price and volume of the common shares to decline.

### Public Corporation Expenses

Historically, we have not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of any securities exchange. We are working with our legal, accounting, and financial advisors to identify those areas in which changes should be made to our financial management control systems to manage our obligations as a public issuer. These areas include corporate governance, corporate controls, internal audit, disclosure controls and procedures and financial reporting and accounting systems. We have made, and will continue to make, changes in these and other areas, including our internal controls over financial reporting. However, we cannot provide any assurance that these measures we may take will be sufficient to allow us to satisfy our obligations as a public issuer on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies will require the time and attention of management, and will create additional costs for us, which may negatively impact our financial performance or results of operations. We cannot predict the amount of the additional costs we may incur, the timing of such costs or the impact that management's attention to these matters will have on our operations.

### Maintaining TSXV listing standards

The Company must meet continuing listing standards to maintain the listing of its common shares on the TSXV and there is no assurance that it will do so. If the Company fails to comply with listing standards the TSXV delists its common shares, the Company and its shareholders could face significant material adverse consequences, including significantly reduced liquidity for its common shares.

### Future Sales of Common Shares by Principal Shareholders, Officers, and Directors

Subject to compliance with applicable securities laws and the terms of any escrow arrangements described in the Filing Statement, our officers, directors, principal shareholders and their affiliates may sell some or all of the common shares held by such party in the future. No prediction can be made as to the effect, if any, such future sales of common shares will have on the market price of the common shares prevailing from time to time. However, the future sale of a substantial number of common shares by our officers, directors, and any principal shareholders and their affiliates, or the perception that such sales could occur, could materially adversely affect prevailing market prices for the common shares. Accordingly, if the Company's principal shareholders sell substantial amounts of our securities in the public market, the market price of our securities could fall. Additional common shares issuable upon the exercise of stock options or warrants may also be available for sale in the public market, which may also cause the market price of our common shares to fall.

### Risks Related to Financial Instruments

Descriptions of the risks relating to financial instruments are set out in Note 17 to the Financial Statements.

Readers are cautioned that the risks described in the Financial Statements, the Filing Statement and MD&A 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, not part of the MD&A, about the Company and Magen is contained in the Filing Statement. With the completion of the Magen Transaction, information about the Resulting Issuer is contained in disclosure documents filed by it with the applicable Canadian securities regulatory authorities and available under Grey Wolf Animal Health Corp's profile on SEDAR at [www.sedar.com](http://www.sedar.com).