

GREY HORSE CORPORATION
Management's Discussion and Analysis (MD&A)
Second Quarter Ended June 30, 2009

(all amounts, except per-share amounts, are in \$ 000s unless otherwise stated)

This MD&A has been prepared with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators ("NI 51-102"), and should be read in conjunction with the Corporation's unaudited interim consolidated financial statements for the six months ended June 30, 2009, its audited consolidated financial statements and notes for the fiscal period ended December 31, 2008, and its MD&A for the year ended December 31, 2008. Except as otherwise indicated, all financial information in this MD&A is determined in accordance with Canadian Generally Accepted Accounting Principles (GAAP), and all dollar amounts referred to are in Canadian dollars. The information in this MD&A is current to August 11, 2009.

Forward-looking statements

This MD&A contains forward-looking statements that are based on the Corporation's expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements (if and when they are made) are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. The key risks that could cause actual outcomes and results to differ from those expressed in the forward-looking statements are listed on page 11 of the Company's MD&A for the year ended December 31, 2008, filed on SEDAR on March 12, 2009.

Therefore, actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

If and when forward-looking information is set out in this MD&A, the Corporation will also set out the material risk factors or assumptions used to develop the forward-looking information. Forward-looking information will be updated as required pursuant to the requirements of NI 51-102.

Overall performance and key performance measures

During the second quarter, Grey Horse continued to experience the difficult economic and market conditions that dampened its financial results in the first quarter. Management's current outlook at the date of this MD&A, however, is more immediately influenced by events subsequent to quarter-end, which have provided positive indicators of the Corporation's potential for better performance in the near term.

Revenues for the quarter were slightly lower than last year, decreasing to \$5,092 from \$5,259 (increasing to \$9,065 from \$8,880 for the year to date), and reflect a 17% reduction in transfer agent and corporate trust revenues (18% year to date) offset by a significant increase in foreign exchange revenue as a result of the acquisition of Toro FX Inc. ("Toro") in the third quarter of 2008. The assumption of the Toro operating costs in the amount of \$720 for the quarter and of

\$1,400 year to date have increased overall operating costs by \$429 or 11% for the quarter and by \$850 or 12% year to date over what would otherwise have been a reduction in operating costs of \$290 for the quarter and \$551 year to date, reflecting management's focus on containing the levels of staffing costs and other expenses. Net income for the quarter also decreased compared with last year, to \$243 from \$656 (to \$453 from \$926 for the year to date).

Operating results reflect the continuing weak capital market, which negatively affects the Corporation in numerous ways: decreased demand for its transfer agent services because of the general low volume of equity-raising activities; lower returns on its trust balances because of low interest rates; decreased opportunities to provide trust or exchange-related services because of the slowdown in corporate transactions such as mergers and acquisitions.

However, management believes it is exceptionally well-placed to benefit from an improvement in market conditions, from which revenue growth will translate rapidly into growth in net income. Even if conditions generally fail to improve, the opportunities existing in a deflated market (for example, for acquiring assets at reduced prices) will often create openings for the Corporation's services. However, the Corporation's ability to capitalize fully on its strengths will continue to depend on highly unpredictable external events.

Since June 30, 2009, the Corporation is pleased to note that trust-related transactions of its subsidiary, Equity Transfer & Trust Company ("ETT"), have been significantly greater than during recent previous quarters. Based on transactions to the date of this MD&A, ETT expects to be entrusted during the third quarter with some \$9.8 billion related to financings and merger and acquisition activity, compared with \$0.4 billion for the first and second quarters combined. Such third quarter activities include being named as depository for a major proposed transaction – the largest, by a factor of four, for which the Corporation has ever been engaged.

The amount of revenue earned by ETT from year to year on such large dollar transactions does not, in any way, vary proportionally with the amount deposited, and the current environment of low interest rates greatly reduces the relative returns on such balances held in trust compared with previous periods. Nevertheless, in management's view, these positive developments point to an increasing market acceptance of the Corporation's ability to undertake such large-scale trust related transactions and demonstrate the success of efforts aimed at increasing the visibility and breadth of Grey Horse's services so as to position it to win a steadily increasing share of these business opportunities.

Description of the business

There were no significant changes in Grey Horse's business from the information provided on pages 4 to 6 of its MD&A for the year ended December 31, 2008. As described in note 5 to the Corporation's unaudited financial statements for the six months ended June 30, 2009, the Corporation is scheduled in August 2009, in accordance with its agreement for acquiring Toro, to pay additional consideration of \$870 in cash released from escrow and to issue 85,014 shares, which in combination will increase goodwill by approximately \$1,300.

As discussed in the year-end MD&A, the Corporation's acquisition of Toro in July 2008 solidifies its position in the foreign exchange market, while also extending its involvement in and exposure to a greater range of derivative assets and liabilities. The overall appearance of the

balance sheet as at June 30, 2009, compared to the previous year, has evolved to reflect this, as well as related matters such as customer funds held in association with foreign exchange contracts.

Results of operations

Revenue

Type of Financial Service	Three months ended June 30, 2009	Three months ended June 30, 2008	Qtr. on Qtr. Change	Year to Date June 30, 2009	Year to Date June 30, 2008	Year on Year Change
Transfer agent	3,722	4,202	(480)	6,018	6,950	(932)
Corporate trust	382	770	(388)	859	1,392	(533)
Corporate compliance	115	151	(36)	214	281	(67)
Foreign exchange	868	116	752	1,958	137	1,821
Limited market dealer	5	20	(15)	16	120	(104)
Total Grey Horse	5,092	5,259	(167)	9,065	8,880	185

Revenue overall decreased by \$167 or 3% compared with the second quarter of 2008 (increased by \$185 or 2% for the year to date). The following factors explain the changes in revenue from 2008 to 2009.

Transfer agent – decrease of \$480 or 11% (second quarter)/decrease of \$932 or 13% (year to date)

The Corporation experienced a small net decline in client volumes during the quarter: overall, at June 30, 2009, it provided services to 592¹ clients compared with 603 at March 31, 2009 (539 at June 30, 2008). This net reduction reflects the low volume of new public listings, losses from reorganizations and similar non-controllable factors, and some relationships terminated by the Corporation (such as for non-payment); the Corporation has not lost a client due to service-related issues in over 2 years.

The transfer agent business is inherently seasonal, because most companies have fiscal year ends in December and therefore hold their annual general meetings between April and June, during the Corporation's second quarter. The Corporation earns a significant portion of its revenue from services provided in connection with such meetings and therefore tends to experience a peak of revenue from this source in this quarter. However, ongoing weak market conditions, in particular a low level of equity-raising activities by the Corporation's customers, resulted in a reduced revenue peak and in lower average revenue per customer compared with the second quarter of 2008.

¹ In its MD&A as at December 31, 2008, the Corporation reported that it provided services to 551 clients. It has retrospectively revised this number to 572, better reflecting its core definition of a client as a separate legal entity to which it provides transfer agent services.

Corporate trust – decrease of \$388 or 50% (second quarter)/decrease of \$533 or 38% (year to date)

Fee-driven and margin income trust revenues were lower than in 2008, again reflecting low market activity. Trust business revenues can be skewed by a small number of large transactions, depending in turn on fluctuations in capital market activities and other unpredictable factors. No such transactions occurred in the first or second quarters of either 2009 or 2008. Even when they occur, in the current environment of very low interest rates, the margin income on such transactions will be lower relative to their volume than experienced in recent years.

Foreign exchange – increase of \$752 (N/A%) (second quarter)/increase of \$1,821 (N/A%) (year to date)

The Corporation's acquisition of Toro in the third quarter of 2008 continues to generate positive results, accounting for \$1,842 of total revenue for the year to date. This increase reflects the Corporation's enhanced day-to-day presence in this sector rather than large volume foreign exchange transactions; however, given its enhanced presence, management believes the frequency of such transactions should increase overall. The Corporation has now substantially integrated the activities of Toro, culturally and operationally, with those of its own pre-existing foreign exchange business, Equity Foreign Exchange Services Inc., and the two entities legally amalgamated in July 2009.

The Corporation's corporate compliance and limited market dealer operations remained a relatively minor part of operations overall, although still providing some strategic value.

Selling, general and administrative expenses:

	Three months ended June 30, 2009	Three months ended June 30, 2008	Qtr. on Qtr. Change	Year to Date June 30, 2009	Year to Date June 30, 2008	Year on Year Change
Recoverable operating expenses	1,317	1,569	(252)	1,850	2,152	(302)
Staffing costs	1,887	1,541	346	3,567	2,727	840
Rent	207	201	6	424	365	59
Other selling, general and administration	1,091	762	329	2,101	1,848	253
Total selling, general and administrative expenses	4,502	4,073	429	7,942	7,092	850

Selling, general and administrative expenses increased overall by \$429 or 11% for the second quarter (\$850 or 12% for the year to date). The assumption of the Toro operating costs in the amount of \$720 for the quarter and of \$1,400 year to date have increased overall operating costs by \$429 or 11% for the quarter and by \$850 or 12% year to date over what would otherwise have been a reduction in operating costs of \$290 for the quarter and \$551 year to date, reflecting management's focus on containing the levels of staffing costs and other expenses. The Corporation's broader investment in its staff and in opening new offices was substantially complete by the first quarter of 2008.

Recoverable operating expenses consists of expenses incurred primarily in providing transfer agent services (mainly costs of stationery, mailing, courier services and of the Corporation's value added services) and decreased generally in line with the decrease in transfer agent revenues.

Net income and earnings per share

Given the factors discussed above, net income decreased by \$413 or 63% compared with the second quarter of 2008, and \$473 or 51% compared with the comparative year to date, to \$243 and \$453 respectively. Basic and diluted earnings per share each decreased by 6 cents or 60% for the second quarter and by 7 cents or 50% for the year to date, to 4 cents and 7 cents per share respectively.

Earnings before income taxes, depreciation and amortization (EBITDA) decreased by \$596 or 50%, to \$590 (\$665 or 37% for the year to date, to \$1,123).²

Annualized Return on Equity decreased from 16% to 5%.³

Financial condition and liquidity

	Three months ended June 30, 2009	Three months ended June 30, 2008	Qtr to Qtr Change	Year to date June 30, 2009	Year to date June 30, 2008	Year to Year Change
Cash flow from operating activities	128	336	(208)	548	(349)	897
Cash flow from investing activities	(77)	(270)	193	(214)	(721)	507
Cash flow from financing activities	-	(1,467)	1,467	-	(2,239)	2,239

	As at June 30, 2009	As at December 31, 2008	Change
Working capital	8,337	7,514	823
Cash and cash equivalents	10,493	10,160	333

The Corporation's cash at June 30, 2009 increased by \$333 compared with the figure at December 31, 2008. However, cash includes \$2,698 (December 31, 2008 - \$2,209) of customer funds held in connection with foreign exchange transactions. Excluding these funds, cash would have decreased by \$155 compared with December 31, 2008, and operating activities would have provided cash of \$59, including payments of \$757 to Canadian federal and provincial governments for corporate taxes owed on fiscal year 2008 operating results. As described below under Capital resources, \$1,650 of the cash and cash equivalents at June 30, 2009 represents a redeemable short term investment certificate associated with the foreign exchange trading credit facility.

Cash flow from investing activities reflects a disbursement of \$881 in additional cash consideration related to the earn-out provisions of the Toro acquisition. This disbursement was

² EBITDA (Earnings Before Income Taxes, Depreciation and Amortisation and, for 2008, the loss on disposal of assets incurred during the first quarter) and Return on Equity (net income divided by the average of opening and closing shareholders' equity) do not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other issuers. These measures are commonly tracked by financial analysts and investors and are also used as an indication of the Corporation's ability to invest in property, plant and equipment, and to raise and service debt. These measures should not be considered as an alternative to cash flows from operating activities nor to any other measures of performance presented in accordance with Canadian GAAP.

³ Refer to the previous footnote for a discussion on Return on Equity. The 5% figure is calculated as follows: Net income for the quarter / ((March 31, 2009 shareholders' equity + June 30, 2009 shareholders' equity) / 2) x 4

offset by an amount of \$870, placed into escrow when the transaction closed, and released from escrow when the earn-out event occurred. The Corporation also had \$33 of fixed asset additions and \$170 of intangible asset additions, primarily software.

Capital resources

Overall, the Corporation believes current resources are sufficient to execute its business plan. It may however require further capital from time to time to pursue strategic initiatives.

Bank credit facilities

Since late 2004, ETT has had credit facilities providing for an operating line of credit in an amount of up to \$750 and bearing interest at bank prime plus 1% (3.25% at June 30, 2009). At both June 30, 2009 and December 31, 2008, no amounts were drawn on the line of credit. This credit facility is secured by a first floating charge over the Corporation's assets.

The Corporation has entered into agreements for foreign exchange trading credit facilities as follows:

Bank of Montreal has made a credit facility of \$2,000 available to EFX in respect of foreign exchange forward and option contracts with terms of one year or less. The first \$350 of this facility is guaranteed by Grey Horse, including a security agreement placing a charge over substantially all the Corporation's assets. To allow it to draw on the remaining \$1,650 of the facility, the Corporation has placed \$1,650 in a redeemable short term investment certificate with Bank of Montreal (classified as cash and cash equivalents on the Corporation's balance sheet).

The Company has foreign exchange trading agreements with other providers under which it is required to provide cash margin as required on a per transaction basis. At June 30, 2009, the Company has provided cash security to its other foreign exchange providers in an amount equivalent to approximately \$600 (Canadian dollars).

Regulatory requirements

As part of the regulatory obligations of its trust status, ETT must maintain certain capital adequacy ratios, which are regularly reviewed by the Office of the Superintendent of Financial Institutions (OSFI). At June 30, 2009, ETT was in compliance with all of the required ratios, which includes maintaining tangible assets (i.e. total assets not including intangibles or goodwill) sufficient to meet a minimum regulatory capital balance of \$3,000. At June 30, 2009, ETT exceeded this minimum by \$1,600, compared with \$1,800 at December 31, 2008.

Segregated funds

Segregated funds represent cash and short-term deposits held in connection with various corporate trust services. The Corporation held \$190,000 in such funds at June 30, 2009 compared with \$271,900 at December 31, 2008. As described above, the corporate trust business is highly variable and the volume of activity can vary significantly based on market conditions and on a small number of high value transactions. The Corporation earns margin income from holding these funds, which is included within corporate trust revenues.

Financial and other instruments

The Corporation's financial instruments include cash, derivative assets and liabilities, accounts receivable, accounts payable and accrued liabilities, and customer funds held. In management's opinion, the Corporation is not exposed to significant credit, foreign exchange rate or liquidity risk arising from these financial instruments. The fair values of accounts receivable, accounts payable and accrued liabilities and customer funds held approximate their carrying values at June 30, 2009 because of their short term nature. The fair value of derivative assets and liabilities at June 30, 2009 was measured in Canadian dollars by calculating gains and losses on foreign exchange derivative contracts relative to established market rates, primarily foreign exchange rates at June 30, 2009. For the six months ended June 30, 2009 the Company has recognized \$54 for the unrealized fair market value loss on derivatives.

At June 30, 2009, the Company has entered into foreign exchange forward and option contracts with settlement dates in less than one year to buy the equivalent of approximately \$30,200 Canadian dollars and sell the equivalent of approximately \$46,600 Canadian dollars on behalf of clients. These obligations are offset by corresponding foreign exchange forward and option contracts with clients and the Company holds client margin deposits until contracts are settled.

Transactions with related parties

During the quarter ended June 30, 2009 the Company was charged \$25 by Perley-Robertson, Hill & McDougall LLP, a partner of which is a director of the Company for legal services, and approximately \$79 by Thiel-Kom Web & Computer Consulting Corp., a company controlled by a senior manager of the Company, for IT consulting services. At June 30, 2009, \$12 and \$81 respectively remained outstanding relating to these charges. Transactions with related parties were conducted on terms that approximate market value and are measured at the exchange amounts. Further information is provided in note 11 to the Company's unaudited interim financial statements for the six months ended June 30, 2009.

Summary of quarterly results

The following tables set out financial performance highlights for the past eight quarters:

	3 months Jun. 30, 2009 Unaudited	3 months Mar. 31, 2009 Unaudited	3 months Dec. 31, 2008 Unaudited	3 months Sep. 30, 2008 Unaudited
Revenue	5,092	3,973	4,961	5,687
Selling, general and administrative expenses	4,502	3,440	3,810	3,532
EBITDA	590	533	1,151	2,155
Interest, amortization expenses and loss on disposal of assets	162	160	186	141
Income before income taxes	428	373	965	2,014
Taxes (current and future)	185	163	325	726
Net income and comprehensive income	243	210	640	1,288
Earnings per share, basic	0.04	0.03	0.10	0.19
Earnings per share, diluted	0.04	0.03	0.10	0.19
Cash and cash equivalents, end of period	10,493	10,442	10,160	9,929
Assets	25,618	24,592	24,703	22,583
Long-term liabilities	473	462	461	317
Dividends	-	-	-	-

	3 months Jun. 30, 2008 Unaudited	3 months Mar. 31, 2008 Unaudited	3 months Dec. 31, 2007 Unaudited	3 months Sep. 30, 2007 Unaudited
Revenue	5,259	3,621	4,054	3,576
Selling, general and administrative expenses	4,073	3,019	3,009	2,660
EBITDA	1,186	602	1,045	916
Interest, amortization expenses and loss on disposal of assets	134	147	88	106
Income before income taxes	1,052	455	957	810
Taxes (current and future)	396	185	327	319
Net income and comprehensive income	656	270	630	491
Earnings per share, basic	0.10	0.04	0.09	0.08
Earnings per share, diluted	0.10	0.04	0.09	0.07
Cash and cash equivalents, end of period	8,970	10,371	12,278	11,554
Assets	19,330	19,891	21,446	20,409
Long-term liabilities	424	426	432	454
Dividends	-	-	-	-

There are no significant factors causing variations over the quarters in addition to those discussed earlier in this MD&A, in particular the inherent seasonality of the transfer agent business.

Changes in accounting standards

International Financial Reporting Standards (IFRS)

In February 2008, the AcSB confirmed that Canadian publicly accountable entities must adopt IFRS for fiscal years beginning on January 1, 2011. Preparing interim and annual financial statements for 2011 under IFRS will require restating, for comparative purposes, amounts reported by the Corporation under Canadian GAAP for the year ended December 31, 2010.

During the second quarter the Corporation concluded its initial scoping exercise, but has not yet reached any definitive conclusions about the likely impact of IFRS on its financial reporting. It is continuing to assess implications for its information technology and data systems, internal control over financial reporting, disclosure controls and procedures, and other business activities that might be influenced by the change to IFRS. Management is also focusing on education and training requirements for the Corporation's financial reporting staff.

Disclosure controls and procedures

Disclosure controls and procedures within the Corporation are designed to provide reasonable assurance that all relevant information is identified to its Disclosure Committee so as to ensure appropriate and timely decisions are made regarding public disclosure. Except for changes relating to the continuing integration of Toro, as discussed below, there were no material changes in the Corporation's disclosure controls and procedures during the quarter.

Internal controls over financial reporting

Internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of financial statements in compliance with Canadian generally accepted accounting principles. However, an effective internal control system, no matter how well designed, has inherent limitations – including the possibility of the circumvention or overriding of controls – and, therefore, can only provide reasonable assurance as to financial statement preparation. Except for changes relating to the continuing integration of Toro, as discussed below, there were no material changes in the Corporation's ICFR during the quarter.

The Corporation acquired Toro in July 2008 and at June 30, 2009 has virtually completed ensuring that the controls and procedures applying to Toro are fully integrated with and comparable to those applying to the Corporation as a whole. Although the CEO and CFO have not identified any material weaknesses relating to Toro's controls and procedures, they have not formally concluded completing and documenting all aspects of this work as at June 30, 2009. Therefore they have concluded it is appropriate to apply the provision in National Instrument 52-109 whereby acquisitions made not more than 365 days before the end of the financial period to which a certificate relates may be excluded from the scope of the design of DCP and ICFR, provided appropriate disclosure is made. Accordingly, the CEO and CFO have limited the scope of the design of DCP and ICFR at June 30, 2009 to exclude controls and procedures of Toro.

Summary financial information of Toro included in Grey Horse's consolidated financial statements is as follows:

Revenues	1,842
Net income	34
Current assets	4,230
Non-current assets	59
Current liabilities	4,349

Disclosure of outstanding share data

The Corporation's shares trade on the Toronto Stock Exchange under the symbol GHC. The Corporation is authorized to issue an unlimited number of no par value common shares. On August 11, 2009, GHC had 6,581,112 shares outstanding and 529,922 stock options with a weighted average exercise price of \$7.34 expiring from March 2012 to September 2016.

Outlook

Grey Horse remains primarily focused on systematically improving and delivering excellent services at competitive rates in order to continue growing its client base and market share. The Corporation is also proactive in increasing its visibility across Canada to prospective clients and to capital transaction participants who select financial service providers.

It is difficult at this time to predict the pace at which capital market activity will return to normal levels, but Grey Horse is increasingly confident about the Corporation's management, service capabilities and prospects. Moreover, Grey Horse has a strong balance sheet, which positions it well to strategically capitalize on selective investment opportunities to expand or solidify its current range of activities or increase shareholder value.

Additional information

Additional information relating to the Corporation, including its most recent Annual Information Form, is available on its website at www.greyhorsecorp.com and on the SEDAR website at www.sedar.com.