Doseology Sciences Inc.

Management's Discussion & Analysis

For the three and six months ended December 31, 2021 and 2020

This management's discussion and analysis ("MD&A") provides a review of Doseology Sciences Inc.'s (the "Company") business operations and is intended to help readers understand the significant factors that affect the performance of the Company and those that may impact its future performance. This MD&A has been prepared as of March 1, 2022 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended December 31, 2021 and the audited consolidated financial statements for the year ended June 30, 2021.

The financial information disclosed in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and complies with International Accounting Standard ("IAS") 34, *Interim Financial Reporting.* The Company's significant accounting policies are set out in Note 2 of the unaudited condensed consolidated interim financial statements for the six months ended December 31, 2021. All amounts in this MD&A are expressed in Canadian dollars, unless otherwise indicated.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" that is based on expectations, estimates and projections as of the date of this MD&A. Often, but not always, such forward-looking information can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information in this MD&A. Many of such risks and uncertainties are beyond the control of the Company. Please refer to the non-exhaustive list of risks and uncertainties included in this MD&A.

While the Company anticipates that subsequent events and developments may cause its views to change, it will not update this forward-looking information, except as required by law. This forward-looking information should not be relied upon as representing the views of the Company as of any date after the date of this MD&A. The Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those current expectations described in forward-looking information. However, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended and that could cause actual actions, events or results to differ materially from current expectations. There can be no assurance that forward-looking information 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 information.

The words "we", "our", "us", "Company", "Doseology" and "Dose" refer to Doseology Sciences Inc., together with its predecessors, subsidiaries, and/or the management and employees of the Company's subsidiary.

BUSINESS OVERVIEW

The Company, along with its wholly owned subsidiary Dose Labs Inc., is a British Columbia based diversified life sciences company on a mission to reimagine mental health therapies through innovation, technology, and sustainability. With a focus on psychedelic and non-psychedelic compounds, Doseology has already begun offering cutting edge therapeutic products and will continue to grow its product offerings, with the aim of making a meaningful impact on the mental health pandemic and improving overall health. The Company trades on the Canadian Securities Exchange (the "CSE") under the symbol "MOOD".

STRATEGY AND OUTLOOK

Doseology's focus is the research, development and sales of branded lines of functional mushrooms. Research and development has taken several quarters; however, the Company is proud to report that it has recently launched products into the United States and Canadian Markets.

To supplement this focus and potentially create even more products in the future, on November 10, 2021, the Company submitted an application to Health Canada for a Dealer's License under the controlled Drugs and Substances Act (CDSA). This license, once approved, will permit the Company to have legal access to controlled substances, including psilocybin and psilocin, and the ability to produce, cultivate, extract, process and distribute novel strains of psilocybin mushrooms for research purposes. Research and development capabilities are a crucial aspect of the Dealer's License as it will allow the Company to research psilocybin compounds and produce novel chemical compounds which would allow the company to create its own intellectual property around strain optimization, consistency, dosage and effect.

The Company still intends to establish and operate a clinic which will serve as a proof-of-concept clinic for the Company to offer treatment using psychedelic compounds. Previously the location of that first clinic was thought to be Portland, Oregon and while Portland continues to be an option, the Company continues to monitor the regulatory environment in both the United States and Canada to determine the best location. Any new clinic will continue to be developed alongside Dr. Paramdeep Bhasin, the Company's Chief Medical Officer.

The Company previously announced its intention to cultivate and process cannabis mother plants at its Vernon, British Columbia facility to sell cannabis clones within the legal Canadian cannabis marketplace. At this time, given the poor current conditions and outlook for cannabis related companies, the Company is currently focussing on other strategic priorities to maximize future shareholder returns and company potential.

Finally, the Company is also considering its acquisition strategy as it has numerous acquisitions targets that are plentiful and accretive to earnings. The availability of a public stock and a strong balance sheet would allow the Company to acquire other businesses at advantageous pricing, making its acquisition strategy fruitful to all shareholders.

KEY HIGHLIGHTS

Product Launches

On January 6, 2022, the Company announced the successful soft launch of seven new adaptogenic mushroom products in the United States. The Company's new medicinal mushroom products have successfully completed test marketing with overwhelmingly positive ratings and reviews. Being among the most comprehensive available on the market, they will help fill the growing demand for high-quality adaptogenic nutraceuticals. The new line employs adaptogenic blends to improve on the single-extract tinctures commonly available. Blends have a higher market value because of increased user benefits and development challenges. On February 23, 2022, the Company announced the launch of five of these products in Canada.

Management and Board Changes

On January 13, 2022, the Company announced the appointment of Maryam Marissen as Chief Executive Officer and Director. Outgoing interim CEO and co-founder Daniel Vice will remain involved with the Company as a director. On March 1, 2022, the Company announced the departure of Maryam Marissen as CEO and the appointment of Ralph Olson, Chairman of the Company's board of directors, as interim CEO.

Peter Geh (CPA, CA) joined the Company as Chief Financial Officer, effective January 26, 2022, and Harbir Toor (CPA, CA) joined as Director and Independent Audit Chair, effective January 27, 2022.

Exchange Listing

On October 29, 2021, the Company obtained a receipt for its final non-offering, long form prospectus from the British Columbia Securities Commission. Concurrent with its prospectus filing, the Company also received approval from the Canadian Securities Exchange (the "**CSE**") to list the Company's common shares on the CSE. The approval resulted in the Company's previously issued 11,885,000 Subscription Receipts (aggregate gross proceeds of $2,377,000) to be automatically converted, without further payment, into 5,942,500 units. The Company's common shares commenced trading on the CSE on November 15, 2021 under the symbol "MOOD".

APPOINTMENT TO THE STRATEGIC ADVISORY BOARD

On December 15, 2021, the Company formally announced the addition of Dr. Olivier Wellman-Labadie to its growing team of mycologists and researchers. Dr. Olivier Wellman-Labadie will serve as an Advisor to Doseology and is the Qualified Person in Charge (QPIC) for the Company's Controlled Drugs and Substances Dealer's Licence application. In his role as the QPIC, he will perform the duties required by the Health Canada Controlled Drugs and Substances Dealer's Licence and contribute to the development of psilocybin research and mushroom production. Dr. Wellman-Labadie holds a Doctorate in Molecular Biology from The University of Ottawa (2008), and an MBA with specialization in Pharmaceutical Marketing and Management from Université Laval (2009). He has also obtained a Bachelor of Pharmacy degree from the University of British Columbia (2014) and is a registered pharmacist in British Columbia. Since 2007, he has co-authored twelve research papers in the field of molecular biology.

PSYCHEDELICS AND REGULATORY LANDSCAPE

SAP Program (Canada)

On January 5th, 2022, Health Canada announced an amendment to the Special Access Program (SAP), allowing physicians to request access to psilocybin, MDMA, DMT, LSD, and other psychedelic treatments not officially approved for sale in the country. The amendment, which reversed a 2013 policy prohibiting special access to restricted drugs, signifies a positive change in the healthcare industry's perception of psychedelics. The SAP program will provide medical professionals treating patients with serious or life-threatening conditions access to non-market drugs when standard therapies have been unsuccessful, unavailable, or are unsuitable for the patient's needs. This also authorizes a manufacturer to sell drugs that are otherwise unavailable for sale or distribution in Canada — permission is typically only granted in the most extreme cases.

Other Jurisdictions

The city of Seattle unanimously voted to decriminalize psychedelics last fall, including the cultivation and sharing of psilocybin mushrooms. Seattle joins other cities like Oakland, Washington, D.C., and Denver in decriminalizing psychedelics within city limits. These initiates are spurring further interest in the potential therapeutic benefits of psychedelic compounds.

Studies

On February 15th, 2022, the findings of a recent study out of John Hopkins was released showing further promising news of the effects of psilocybin on patients with major depressive disorder. In previous studies, Johns Hopkins Medicine researchers showed that psychedelic treatment with psilocybin relieved major depressive disorder symptoms in adults for up to a month. In a recent follow-up study of those participants, the researchers went on to report that the substantial antidepressant effects of psilocybin-assisted therapy, given with supportive psychotherapy, may last at least a year for some patients.

Currently there are more than 100 registered upcoming or ongoing clinical trials studying the effects of psychedelic compounds for various indications.

RESULTS OF OPERATIONS

For the three and six months ended December 31, 2021 and 2020

The loss and comprehensive loss for the three months ended December 31, 2021 was $543,280 or $0.01 loss per share compared to $418,132 or $0.02 loss per share for the same period in 2020. The increase in loss by $125,148 (30%) in 2021, as further explained below, was primarily due to increased marketing costs relating to the launch of functional mushroom products in the United States, listing expenses with respect to listing the Company's common shares on the CSE, increased staffing, and higher share-based compensation and amortization of intangible asset costs. The increased costs in 2021 were partially offset by lower product development costs, leasehold operating costs, management fees and professional fees.
The loss and comprehensive loss for the six months ended December 31, 2021 was $853,959 or $0.02 loss per share compared to $590,737 or $0.03 loss per share for the same period in 2020. The increase in net loss by $263,222 (45%) in 2021 was primarily due to the same factors as noted above relating to the three months ended December 31, 2021.

For the three months ended December 31, 2021, operating expenses increased by $115,159 (28%) to $522,243 compared to $407,084 for the same period in 2020. Operating expenses increased by $256,514 (46%) to $819,205 for the six months ended December 31, 2021 compared to $562,691 for the same period in 2020. Below is a discussion of the key factors that lead to the changes in operating expenses:

	For the three months ended December 31,		For the six months ended December 31,	
	2021	2020	2021	2020
	* $	* $	* $	* $
Expenses				
Marketing	89,427	44,602	122,208	49,623
Investor relations	25,551	-	25,551	-
Product development and other costs	22,212	56,379	48,755	91,519
Leasehold operating costs	3,637	50,806	21,666	67,081
Consulting fees	26,269	20,765	26,269	20,765
Management fees	-	87,000	24,000	152,500
Professional fees	23,888	80,946	50,425	89,134
Listing expenses	135,719	8,177	149,062	13,427
Regulatory filings	2,474	925	2,474	925
Office	11,619	6,677	23,025	9,032
Salaries and benefits	95,781	30,443	186,310	30,443
Share-based compensation	38,633	-	61,655	
Depreciation and amortization	47,033	20,364	77,805	38,242
	(522,243)	(407,084)	(819,205)	(562,691)
Other income (expenses)				
Interest and other income	3,385		6,800	
Interest accretion	(21,889)	(17,048)	(39,021)	(34,046)
Loss on asset disposals	(2,533)	-	(2,533)	-
Gain on debt settlement	-	6,000	-	6,000
Loss and comprehensive loss for the period	**(543,280)**	**(418,132)**	**(853,959)**	**(590,737)**
Loss per share - basic and diluted	(0.01)	(0.02)	(0.02)	(0.03)
Weighted average number of shares outstanding - basic and diluted	**39,126,821**	**23,659,853**	**36,800,939**	**21,414,017**

Marketing

Marketing expenses were $89,427 for the three months ended December 31, 2021, compared to $44,602 for the same period in 2020. The increase of $44,825 (101%) was due primarily to higher marketing spending on social media platforms in the United States to coincide with the Company's line of seven functional mushroom tinctures and powder. For the six months ended December 31, 2021, marketing expenses were $72,585 higher than the comparable period in 2020. The reason for the six-month increase was primarily the same as noted for the three-month increase.

Listing expenses

Listing expenses increased by $127,542 (1,560%) to $135,719 for the three months ended December 31, 2021 compared to $8,177 for the same period in 2020. The increase was due primarily due to accounting and legal fees related to preparing and filing of a prospectus for the listing of the Company's common shares on the Canadian Securities Exchange ("CSE"). On October 29, 2021, the Company received an approval from the CSE to list its common shares on the CSE. For the six months ended December 31, 2021, listing expenses were $135,635 higher than the comparable period in 2020. The reason for the six-month increase was primarily the same as noted for the three-month increase.

Salaries and benefits

Salaries and benefits increased by $65,338 (215%) to $95,781 for the three months ended December 31, 2021 compared to $30,443 for the same period in 2020. The Company started hiring employees in 2021 to fill positions for facility maintenance, marketing and accounting. For the six months ended December 31, 2021, salaries and benefits were $155,867 higher than the comparable period in 2020. The reason for the six-month increase was primarily the same as noted for the three-month increase.

Share-based compensation

Share-based compensation for the three months ended December 31, 2021 was $38,633 compared to $nil for the same three-month period in 2020 and related to the fair value amortization of stock options granted in April 2021 along with the cancellation of 100,000 options and re-issuance of 400,000 options on October 25, 2021 to the same officer. For the six months ended December 31, 2021, share-based compensation was $61,655 higher than the comparable period in 2020. The reason for the six-month increase was primarily the same as noted for the three-month increase.

Depreciation and amortization

Depreciation and amortization increased by $26,669 (131%) to $47,033 for the six months ended December 31, 2021 compared to $20,364 for the comparable period in 2020. The increase in depreciation and amortization expense related to the overall increase in property and equipment and intangible assets. An acquired 3-year cannabis license and a new right of use asset related to leased office space were the most significant new assets added in the latter half of 2021. For the six months ended December 31, 2021, depreciation and amortization was $39,563 higher than the comparable period in 2020. The reason for the six-month increase was primarily the same as noted for the three-month increase.

Product development costs

Product development costs were $22,212 for the three months ended December 31, 2021, compared to $56,379 for the same period in 2020. The decrease of $34,167 (61%) was due primarily to the fact that as the Company's line of functional mushroom tinctures and powders completed development at the end of 2021, less was spent. For the six months ended December 31, 2021, product development costs were $42,764 lower than the comparable period in 2020. The reason for the six-month decrease was primarily the same as noted for the three-month decrease.

Leasehold operating costs

Leasehold operating costs were $3,637 for the three months ended December 31, 2021, compared to $50,806 for the same period in 2020. The decrease of $47,169 (93%) was primarily due to the company spending less on repairs and maintenance and facility improvements. For the six months ended December 31, 2021, leasehold operating costs were $42,764 lower than the comparable period in 2020. The reason for the six-month decrease was primarily the same as noted for the three-month increase.

Management fees

Management fees were $nil for the three months ended December 31, 2021, compared to $87,000 for the same period in 2020. The decrease of $87,000 (100%) was because certain consultants were replaced by employees and the services of other consultants were no longer needed by the Company. For the six months ended December 31, 2021, management fees were $128,500 lower than the comparable period in 2020. The reason for the six-month decrease was primarily the same as noted for the three-month increase.

Professional fees

Professional fees were $23,888 for the three months ended December 31, 2021, compared to $80,946 for the same period in 2020. The decrease of $57,058 (70%) was primarily due to the fact that less legal services were required by the Company. For the six months ended December 31, 2021, professional fees were $38,709 lower than the comparable period in 2020. The reason for the six-month decrease was primarily due to less legal and accounting services being required by the Company.

SUMMARY OF QUARTERLY RESULTS

The Company's quarterly results for the last eight quarters are as follows:

	December 31, 2021 $	September 30, 2021 $	June 30, 2021 $	March 31, 2021 $
Revenue	-	-	-	-
Loss and comprehensive loss	(543,280)	(310,679)	(630,318)	(405,502)
loss per share - basic and diluted	(0.01)	(0.01)	(0.02)	(0.01)

	December 31, 2020 $	September 30, 2020 $	June 30, 2020 $	March 31, 2020 $
Revenue	-	-	-	-
Loss and comprehensive loss	(418,132)	(172,605)	(402,951)	(24,560)
loss per share - basic and diluted	(0.02)	(0.01)	(0.51)	(0.00)

The Company as a start-up has primarily been focusing on research and product development and putting key infrastructure and employees, etc. in place to execute on its business plan. The full business plan can be found in the Company's prospectus. In addition, the Company met its goal to list on the Canadian Securities Exchange in the latter part of 2021 (See "Key Highlights" above). Overall, there is no discernible quarter over quarter trend except to say that generally net operating expenses have grown as the Company scaled up and neared the launch of its first functional mushroom products in January 2022.

CAPITAL RESOURCES AND LIQUIDITY

As at December 31, 2021, the Company had cash of $2,621,521 (June 30, 2021 - $3,733,524) and working capital of $3,733,774 (June 30, 2021 - $2,247,059).

Cash used in operating activities for the six months ended December 31, 2021 was $1,028,965 compared to $918,980 for the comparable period in 2020, an increase of $109,985. The increase in cash used in operating activities was due primarily to a $148,496 increase in cash operating expenses and $38,511 decrease in non-cash working capital items.

Cash used in financing activities for the six months ended December 31, 2021, was $76,910 compared to $1,616,176 provided by financing activities for the comparable period in 2020. The increased cash provided by financing activities for the comparable period in 2020 was primarily due to the receipt of share issuances proceeds.

Cash used in investing activities for the six months ended December 31, 2021 was $6,128 compared to $36,142 provided by investing activities for the same period in 2020. The amount of $6,128 was for the purchases of farm and office equipment. The comparable period in 2020 included $90,368 in purchases of farm equipment, furniture and office equipment and leasehold improvements. This amount was partially offset by $109,082 of cash received from the acquisition of Pendulm Craft Corp.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

COMMITMENTS

The Company is committed to the following minimum lease payments:

Maturity analysis	December 31, 2021 $	June 30, 2021 $
Less than one year	167,707	96,000
One year to five years	705,331	480,000
More than five years	300,000	480,000
Total undiscounted lease liability	1,173,038	1,056,000

During the three months ended December 31, 2021, the company leased a new office space in Kelowna, British Columbia. In signing this lease, the Company committed to an additional $174,172 in monthly lease payments up until August 2024. This new lease commitment caused the increased lease liability noted in the table above.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel include directors and officers who have the authority and responsibility for planning, directing, and controlling the activities of the Company. The compensation paid to these key management personnel for the three and six months ended December 31, 2021 and 2020 is as below:

	Three months ended		Six months ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	$	$	$	$
Management fees	-	87,000	24,000	152,500
Professional fees	6,040	47,419	15,397	47,419
Listing expenses	98,178	-	106,755	-
Share-based compensation	31,910	-	47,128	-
Lease payments	24,000	15,000	48,000	30,000
Total	160,128	149,419	241,280	229,919

During the three months ended December 31, 2021, the Company incurred $6,040 (December 31, 2020 - $47,419) and $98,178 (December 31, 2020 - $nil) in professional fees and listing expenses, respectively, to a law firm where Scott Reeves, a director and corporate secretary of the Company, is a partner. During the six months ended December 31, 2021, the Company paid professional fees and listing expenses of $15,397 and $106,755, respectively.

During the three months ended December 31, 2021, the Company paid $24,000 (December 31, 2020 - $15,000) to Sungrown Organics Inc., for the rental of the Vernon facility, a company which is 50% controlled by Shane Gordon, a former officer and director of the Company. During the six months ended December 31, 2021, the Company paid $48,000.

During the three months ended December 31, 2021, the Company incurred share-based compensation of $31,910 (December 31, 2020 - $nil) to directors and officers. During the six months ended December 31, 2021, the Company paid $47,128.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the Company's reported financial results. Their judgment and estimates are based on historical experiences and expectation of future events. Actual outcomes could differ from these assumptions. Management reviews the estimates and underlying assumptions on an ongoing basis. Revisions to the accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant judgment and estimates that may cause material adjustments to the carrying amounts of the financial statements are as follows:

Going concern

The Company's ability to execute its strategies and continue funding its operations requires judgment, estimates and assumptions which are based on historical experience and factors such as expectations of future events.

As at December 31, 2021, the Company has accumulated deficit of $2,912,148 (June 30, 2021 - $2,058,189) and will continue to incur losses in executing its business plans. The Company's continuance as a going concern is dependent upon its ability to raise future financing and generate profits and positive cash flows to support its operations. The Company has been successful in raising equity capital in previous years, however, there is a risk that future financing may not be available on a timely basis with Covid-19 still persisting globally and on terms acceptable to the Company. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statements of financial position.

Share-based Compensation

The Company recognizes share-based compensation on stock options granted.

Share-based compensation to employees and others providing similar services is measured at fair value of the equity instrument issued on the grant date and expensed over the vesting periods.

Share-based compensation to non-employees is measured at the fair value of the goods and services received unless that their fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The fair value is recorded at the earlier of the vesting date, or the date the goods or services are received.

The fair value of the options granted is measured using the Black-Scholes option-pricing model considering the terms upon which the options were granted. The offset to share-based compensation is reserves. Proceeds from the exercise of stock options are recorded as share capital and the related reserves are transferred to share capital.

Financial Instruments

Fair value

IFRS 13, *Fair Value Measurement*, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 13 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable market data.

The following table summarizes the carrying and fair value of the Company's financial instruments. The fair values of these financial instruments approximate their carrying values because of their current nature.

	December 31, 2021 $	June 30, 2021 $
Cash	2,621,521	3,733,524
Receivables	68,884	28,489
Due from related parties	-	15,096
Accounts payable and accrued liabilities	98,563	416,595
Lease liability	817,622	687,544

Interest income, interest expense, and gains and losses from financial assets and financial liabilities classified at amortized cost are recognized in the statement of loss and comprehensive loss.

FINANCIAL RISK MANAGEMENT

a) Credit risk

Credit risk is the risk of loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

b) Foreign exchange risk

Foreign exchange risk arises from fluctuations in the future cash flows of a financial instrument because of changes in foreign exchange rates. The Company is not subject to foreign exchange rate risk as predominately all its transactions occur in Canadian dollars.

c) 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 observable impacts on the fair value and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in profit or loss from financial instruments whose cash flows are determined with reference to floating interest rates and potential changes in value of financial instruments whose cash flows are fixed in nature. The Company does not have any financial liabilities with floating interest rates and accordingly is not exposed to cash flow risk.

d) Liquidity and funding risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at December 31, 2021, the Company had cash balance of $2,621,521 to settle the current liabilities of $188,209 which are due on demand or within 1 year.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions.

OUTSTANDING SHARE DATA

As at March 1, 2022, the following securities were issued and outstanding:

Issued and outstanding common shares	41,000,000
Incentive stock options exercisable at $0.40 per share	3,350,000
Share purchase warrants [1]	16,332,720
	60,682,720

[1] 5,000,000 share purchase warrants exercisable at $0.16 per share expiring on June 1, 2025 and 11,332,720 warrants exercisable at $0.80 per share expiring between December 22, 2022 and March 31, 2023.

RISKS AND UNCERTAINTIES

Market for the Common Shares and volatility of Common Share price

There can be no assurance that an active trading market in the Company's Common Shares will be established or sustained. The market price for the Company's Common Shares could be subject to wide fluctuations. Factors such as government regulation, interest rates, share price movements of peer companies and competitors, announcements of quarterly variations in operating results, revenues and costs, and sentiments toward stocks aswell as overall market movements, may have a significant adverse impact on the market price of the Common Shares. The stock market has from time-to-time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of a particular company.

Speculative nature of investment risk and no history of dividends

An investment in the securities of the Company carries a high degree of risk and should be considered as a speculative investment. The Company has no history of earnings, limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. Any decision to pay dividends on the Common Shares will be made by the Company's Board based on its earnings, financial requirements and other conditions

Additional funding and possibility of dilution

The operation of the Company's business will likely require additional capital. When such additional capital is required, the Company will need to pursue various financing alternatives or arrangements, including debt financing, equity financing or other means. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing Shareholders. The Company may not be successful in locating suitable financing in the time required or at all.A failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations. Any future issuance of securities to raise required capital will likely be dilutive to existing Shareholders. In addition, debt and other debt financing may involve a pledge of assets and may be senior to interests of equity holders. The Company may incur substantial costs in pursuing future capital requirements, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The ability to obtain needed financing may be impaired by such factors as the capital markets (both generally and in the biotechnology and drug research and development industries in particular), the Company's status as a new enterprise with a limited history and/or the loss of key management personnel.

CSE listing

In the future, the Company may fail to meet the continued listing requirements for the Common Shares to be listed on the CSE. If the CSE delists the Common Shares from trading on its exchange, the Company could face significant material adverse consequences, including: a limited availability of market quotations for the Common Shares; a determination the Common Shares are a "penny stock" which will subject brokers trading in the Common Shares to more stringent rules and therefore, possibly result in a reduced level of trading activity in the secondary market for the Common Shares; a limited amount of news and analysts coverage for the Company; and a decreased ability to issue additional securities or obtain additional financing in the future.

Risks Relating to the Business

The Company's limited operating history

The Company is relatively newly incorporated and as such the Company has a limited operating history and has yet to generate significant revenue. Therefore, the Company will be subject to all the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. The current state of the Company's business will likely require additional expenditures before cash flow will be generated. Although the Company possesses an experienced management team, there is no assurance that the Company will be successful in achieving a return on Shareholders' investment and the likelihood of success of the Company must be considered in light of the Company's early-stage operations and the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. There is no assurance that the Company can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

Significant ongoing costs and obligations

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for product development, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. For the foreseeable future, the Company will have to fund all its operations and development expenditures from cash on hand, and from debt and equity financings, if any. The Company will also require significant additional funds if it were to acquire other assets to advance its development. It is possible that future financing will not be available or, if available, may not be on favorable terms. The availability of financing will be affected by the achievement of the Company's corporate goals and the state of the capital markets generally. If adequate funding is not available,the Company may be required to delay, reduce or eliminate production on one or more of its product or development of future products, or obtain funds through corporate partners or others or obtain funds on less favourable terms than the Company would otherwise accept. To the extent that external sources of capital become limited or unavailable or available on onerous terms, the Company's intangible assets and its ability to continue its business plans may become impaired, and the Company's assets, liabilities, business, financial condition and results of operations may be materially or adversely affected.

In addition, future changes in regulations, changes in legal status of the Company's products, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than expected. The Company may incur significant losses in the future for several reasons, including the other risks described in the Company's Prospectus, and unforeseen expenses, difficulties, complications and delays, and other unknown events.

The Company may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights

The Company may from time to time seek to enforce its intellectual property rights against infringers when it determines that a successful outcome is probable and may lead to an increase in the value of the intellectual property. If the Company chooses to enforce its patent rights against a party, then that individual or company has the right to ask the court to rule that such patents are invalid or should not be enforced. Additionally, the validity of its patents and the patents it has licensed may be challenged if a petition for post grant proceedings such as inter-parties review and post grant review is filed within the statutorily applicable time with the Canadian Intellectual Property Office or the United States Patent and Trademark Office. These lawsuits and proceedings are expensive and would consume time and resources and divert the attention of managerial and scientific personnel even if the Company were successful in stopping the infringement of such patents. In addition, there is a risk that the court will decide that such patents are not valid and that the Company does not have the right to stop the other party from using the inventions. There is also the risk that, even if the validity of such patents is upheld, the court will refuse to stop the other party on the ground that such other party's activities do not infringe its intellectual property rights.

If the Company is unable to adequately protect and enforce its intellectual property, the Company's competitors may take advantage of its development efforts and compromise its prospects of marketing and licensing its Products

The Company's success will depend in part upon its ability to protect its intellectual property and proprietary technologies and upon the nature and scope of the intellectual property protection the Company receives. The ability to compete effectively and to achieve partnerships will depend on its ability to develop and maintain proprietary aspects of the Company's products and to operate without infringing on the proprietary rights of others. The presence of such proprietary rights of others could severely limit its ability to develop and commercialize its products, to conduct its existing research and could require financial resources to defend litigation, which may be in excess of the Company's ability to raise such funds. There is no assurance that the Company will be able to obtain patent protection of its assets.

The patent positions of pharmaceutical companies can be highly uncertain and involve complex legal, scientificand factual questions for which important legal principles remain unresolved. Patents issued to the Company may be challenged, invalidated or circumvented. To the extent the Company's intellectual property offers inadequate protection, or is found to be invalid or unenforceable, the Company is exposed to a greater risk of direct competition. If its intellectual property does not provide adequate protection against the Company's competitors' products, its competitive position could be adversely affected, as could the Company's business, financial condition and results of operations. Both the patent application process and the process of managing patent disputes can be time consuming and expensive, and the laws of some foreign countries may not protect the Company's intellectual property rights to the same extent as do the laws of Canada and the United States.

Failure to manage growth

As the Company advances its products, the Company will need to increase its management and administrative headcount to manage these programs and negotiate these arrangements. In addition, to meet its obligations as a public company, the Company may need to increase its general and administrative capabilities and improve its operational and financial controls and reporting procedures. the Company's management, personnel and systems currently in place may not be adequate to support this future growth. In managing its growing operations, the Company is also subject to the risks of over-hiring and/or overcompensating its employees and over-expandingits operating infrastructure. As a result, the Company may be unable to manage its expenses effectively in the future, which may negatively impact its gross profit or operating expenses.

Dependence on management and key personnel

The success of the Company is currently largely dependent on the performance of its directors, officers and scientific advisors. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers, scientific advisors, or other qualified personnel required to operate its business. As the Company's business activity grows, the Company will require additional key financial, administrative, scientific, and clinical personnel as well as additional operations staff. There can be no assurance that any recruitment efforts will be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increase. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of its operations could be impaired, which could have an adverse impact on the Company's operations and financial condition. In addition, the COVID-19 pandemic may cause the Company to have inadequate access to available skilled workforce and qualified personnel, which could have an adverse impact on the Company's financial performance and financial condition.

Insurance and uninsured risks

The Company's business is subject to a number of risks and hazards, including product failures, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

The Company's insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events or any significant uninsured liability may require the Company to pay substantial amounts, which would adversely affect its financial position and results of operations.

The Company may be materially adversely affected in the event of cyber-based attacks, network security breaches, service interruptions, or data corruption

The Company relies on information technology to process and transmit sensitive electronic information and to manage or support a variety of business processes and activities. The Company uses technology systems to record, process, and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal, and tax requirements. The Company's information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to computer viruses, attacks by computer hackers, failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, telecommunication failures, user errors or catastrophic events. Although the Company has developed systems and processes that are designed to protect proprietary or confidential information and prevent data loss and other security breaches, such measures cannot provide absolute security. If its systems are breached or suffer severe damage, disruption or shutdown and the Company is unable to effectively resolve the issues in a timely manner, its business and operating results may significantly suffer and it may be subject to litigation, government enforcement actions or potential liability. Security breaches could also cause the Company to incur significant remediation costs, result in product development delays, disrupt key business operations, including development of future products, and divert attention from management and key information technology resources.

Internal controls

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external reporting purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. However, due to the inherent limitations, internal controls over financial reporting may not prevent or detect all misstatements and fraud. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and materially adversely affect the trading price of the Common Shares.

Management of the Company ensures the accounting cycle, payroll administration, operational activities, and financial reporting controls to assess internal control risks and to ensure proper internal control are in place. One of the deficiencies in internal control is the lack of segregation of accounting duties due to the limited size of the Company. The threat of this deficiency is mitigated primarily by separating key functions as best as possible given limited resources and ensuring adequate oversight in the most critical areas.

The potential risk that flows from control deficiencies is the risk of potential fraud. However, the risk of fraud is considered low as management anticipates taking a number of measures as stated above to mitigate the potential risk of fraud, including without limitation: (i) all purchase and payment, including payroll, must be authorized by management; (ii) all capital expenditures must be preapproved by the Company's Board; (iii) all source documents in any other language other than English must be translated and scanned for accounting entries and recordkeeping purposes; (iv) and most of the Company's cash is deposited with a Canadian chartered bank.

The Board will continue to monitor the operations of the Company, evaluate the internal controls, and develop measures in the future to mitigate any potential risks and weaknesses.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Impact of COVID-19

The Company's business, operations and financial condition could be materially and adversely affected by the outbreak of epidemics or pandemics or other health crises, including the recent outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the outbreak of a global health emergency and on March 13, 2020 the U.S. declared that the COVID-19 outbreak in the United States constitutes a national emergency. To date, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity in Canada, the United States, Europe and China. The outbreak has caused companies and various international jurisdictions to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to businesses locally and internationally and the related financial impact cannot be reasonably estimated at this time. Similarly, the Company cannot estimate whether or to what extent this outbreak and the potential financial impact may extend to countries outside of those currently impacted. The Company is actively assessing and responding where possibleto the potential impact of the COVID-19 pandemic. The Company may face disruption due to restrictions on operations, delays and uncertainties to planned preclinical studies, travel restrictions and impacts on personnel that can be difficult to quantify. Such pandemics or diseases represent a serious threat to maintaining a skilled workforce industry and could be a major health care challenge for the Company. There can be no assurance that the Company's personnel will not be impacted by this pandemic and ultimately that the Company would see its workforce productivity reduced or incur increased medical costs/insurance premiums as a result of these health risks. In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. Depending on the length and severity of the pandemic, COVID-19 could impact the Company's operations and could impair the Company's ability to raise funds depending on COVID-19's effect on capital markets. The duration of the COVID-19 pandemic outbreak and the resultant travel restrictions, social distancing, government response actions, business closures and business disruptions can all have an impact on the Company's operations and access to capital. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets, share prices and financial liquidity and thereby that may severely limit the financing capital available. Finally, the duration and impact of the COVID- 19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial resultsand condition of the Company in future periods.

Additional Information

Additional information relating to the Company is available on its corporate website, www.doseology.com.