



## **Doseology Sciences Inc.**

Management's Discussion & Analysis

For the years ended June 30, 2022 and 2021

## **DOSEOLOGY SCIENCES INC.**

### Management's Discussion and Analysis

For the year ended June 30, 2022

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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 October 28, 2022 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2022.

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.

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#### **BUSINESS OVERVIEW**

The Company, along with its wholly owned subsidiary Dose Labs Inc., is building a progressive brand focused on mental health and wellness through cultivation, extraction and innovative nutraceutical and pharmaceutical products. The Company aims to make a meaningful impact on the mental health pandemic by utilizing and developing functional mushrooms and plant-derived drugs. With a vertically integrated approach, Doseology intends to process and distribute products at its facilities in Vernon, British Columbia, in accordance with applicable laws to ensure safe and high-quality production. The Company's medicinal mushroom products, including tinctures and powders are available on doseology.com. The Company trades on the Canadian Securities Exchange under the symbol "MOOD", the OTCQB Venture Market in the United States under the symbol "DOSEF", and the Frankfurt Stock Exchange under the symbol "VU7".

#### **STRATEGY AND OUTLOOK**

##### **Consumer Packaged Goods**

The focus of the Company is the sale of its branded line of medicinal mushroom tinctures and powders. In particular, the Company is establishing retail sales channels for its products in Canada and the United States. The Company also sells its products online through its website and Amazon. The Company's products employ adaptogenic blends to improve on the single-extract tinctures commonly available in other competitor products. This blending process translates into a higher market value product because of increased user benefits and increased challenges in development.

In February of 2022 the Company launched its product line in Canada. The Company signed a Brand and Product Representation Agreement with Connect Brand Management in March 2022 to establish and manage relationships with Canadian retailers and e-tailers. The Company also signed a distribution agreement with Peak Performance Products Inc. in April 2022 to accelerate distribution of the Company's products across Canada. In July 2022 the Company signed a Sales Management Agreement with Alternative Sales Management to act as the Company's national sales manager for its expansion into the United States retail market. The Company's products are now available in several Canadian retail stores in British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario. The Company will continue working with its sales brokers and distributor to ramp up retail sales of the Company's medicinal mushroom products in Canada and the United States.

##### **Health Canada Dealer's License**

To supplement the Company's line of consumer packaged goods, 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, would permit the Company to have legal access to controlled substances, including psilocybin and psilocin, and would enable the Company 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 would allow the Company to research psilocybin compounds and produce novel chemical compounds. Through this research and development, the Company intends to create intellectual property around strain optimization, consistency, and dosage. On September 14, 2022, the Company received notice from Health Canada that the review of the proposed security measures at the Company's facility in Vernon may meet the requirements of the Health Canada Directive on Physical Security Requirements for Controlled Substances and Drugs Containing Cannabis for Security Level 7 + grow rooms, if built as proposed. This notice from Health Canada permits the Company to complete construction at its facility. The Company is reviewing the capital requirements for construction and the economic feasibility of production at the Vernon facility.

##### **Clinics**

The Company continues to monitor the regulatory landscape in the United States and Canada to determine the feasibility and location of a potential clinic to offer treatment using psychedelic compounds. Any new clinic will be developed alongside Dr. Paramdeep Bhasin, the Company's Chief Medical Officer.

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#### **Mergers and Acquisitions**

The Company continues to consider potential attractive acquisition targets that are accretive to earnings. The availability of a public stock, the current economic environment and a strong balance sheet would allow the Company to acquire other businesses at advantageous pricing, making its acquisition strategy fruitful to current shareholders.

#### **KEY HIGHLIGHTS**

##### **Retail Sales**

The Company launched its product line in Healthy Planet, with 31 retail locations across Ontario. The Company's products are also now available at City Avenue Market, with four locations in the Greater Vancouver Area, and at Vita Health, with seven locations in Winnipeg. In addition, the Company has launched its products at Commisso's Fresh Foods, Red Lake Pharmacy, and Herc's Muscle Shop in Ontario, Country Grocer, Nutritionally Organics & Wellness Market, Your Vitamin Store, Bentall Pharmacy, Donald's Market, and Community Farm Store in British Columbia, Flawless Nutrition in Saskatchewan, Inspiring Health in Alberta, and Well.ca.

##### **Stock Listings**

The shares of the Company were listed on the Canadian Securities Exchange on November 15, 2021, under the trading symbol "MOOD". On March 17, 2022, the Company announced that its shares were listed on the Frankfurt Stock Exchange under the trading symbol "VU7". On June 1, 2022, the Company announced that its shares were approved for trading on the OTC Pink Open Market in the United States under the symbol "DOSEF" and the Company's shares were approved for eligibility for book-entry and depository services through the Depository Trust Company. On July 6, 2022, the Company announced the approval of its application for an uplisting to the OTCQB Venture Market in the United States.

##### **Management and Board Changes**

On March 1, 2022, the Company announced the appointment of Ralph Olson as interim Chief Executive Officer. Mr. Olson is a capital markets veteran with 35 years of experience and has helped raise over \$400,000,000 for both public and private companies in Canada, the United States and Europe. Mr. Olson was previously a Partner, Head of Sales, and Senior Vice President of Cohig and Associates, a boutique broker dealer firm that raised money for small to medium-sized companies. In this role, his responsibilities included managing over 300 registered stock-broker representatives in over 20 offices in the United States. Mr. Olson's extensive financial expertise and significant experience in mergers and acquisitions will help drive the business forward while navigating this exciting and emerging global sector.

On January 28, 2022, the Company announced the appointment of Peter Geh as Chief Financial Officer. Mr. Geh is an experienced financial and accounting executive based in Kelowna, B.C. As a Chartered Professional Accountant with over fifteen years of corporate experience, he has guided several Canadian companies through growth stages in the healthtech, retail, and manufacturing industries.

On January 28, 2022, the Company also announced the addition of Harbir Toor as Director and Independent Audit Chair. Ms. Toor has 25 years of experience in strategic planning, risk management, governance, capital raises, and financial accounting. She began her career in audit at KPMG and most recently has held several senior executive positions in both private and publicly listed companies, including VP Finance and CFO in the biopharmaceutical and life sciences industries.

#### **HIGHLIGHTS SUBSEQUENT TO THE YEAR ENDED JUNE 30, 2022**

##### **Brand Affiliate Program**

On August 25, 2022, the Company announced the introduction of its new Brand Affiliate Program that focuses on digital nomads, especially digital influencers, to help drive direct-to-consumer sales. Through this program, these digital sales reps will advertise the Company's products along with their unique referral code on their social media

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platforms. The affiliates will be provided with ready-made sales assets, including video and static ads for this purpose, while also being able to create their own unique content to best support their sales strategy. Every time one of their followers uses their code to make a purchase, the affiliate receives a percentage of the sale as commission.

#### **CHFA Now Toronto Trade Show**

The Company had its products displayed at the CHFA NOW Toronto Trade Show on September 17 and 18, 2022. CHFA NOW is a Canadian trade show that focuses on the natural, organic, and wellness industry. This event was an opportunity for Doseology to introduce its brand to potential retail partners and generate important growth leads.

#### **PSYCHEDELICS AND REGULATORY LANDSCAPE**

##### **Health Canada Notice to Stakeholders**

On May 6, 2022, Health Canada issued a notice to provide information on the use of psilocybin mushrooms in clinical trials or as a drug requested through the Special Access Program, and to emphasize the importance of drug quality and Good Manufacturing Practices ("GMP"). Consistent quality and dosing are required to generate reliable clinical trial results and support good clinical decision-making. The use of psilocybin mushrooms presents challenges for clinical trials because of the potential variability in the content of the active ingredients and potential impurities among different mushroom cultivars, as well as the potential variability throughout the mushroom tissue matrix. The primary implications of this are related to dosing, particularly in the determination of a dosage form that provides a consistent active ingredient, while ensuring any impurities are consistently within acceptable limits. This inconsistency in dosing and impurities can make it difficult for psilocybin mushrooms to meet GMP requirements. Research that meets the definition of a clinical trial in the Food and Drug Regulations requires the investigational product to be of GMP quality. This means that any psilocybin product, including psilocybin mushrooms, used in a clinical trial must be manufactured according to GMP standards. GMP ensures that products are consistently produced and controlled according to quality standards.

Health Canada also specified that manufacturers supplying drugs to the Special Access Program are requested to provide information regarding the manufacturing of the drug under GMP principles. Drugs that do not meet GMP standards may only be considered when no product of higher quality is available.

##### **Special Access Program Update**

In April 2022 a clinic in Nanaimo, British Columbia, became the first health center in Canada to offer a legal psilocybin group therapy program. On May 5, 2022, a clinic in Montreal, Quebec, received Health Canada's approval to use psilocybin to care for a patient who had undergone several unsuccessful treatments for depression. This is the first health-care facility in Quebec to legally treat depression with psilocybin.

##### **Study on Psychedelics and Opioid Use Disorder**

A study published on April 7, 2022, in Nature: Scientific Reports, found that psilocybin use was associated with a 30% reduction in odds of opioid use disorder in a large, nationally representative sample in the United States. This study replicates findings from a 2017 study linking psychedelics to lowered odds of opioid use disorder across a broad spectrum of diagnostic criteria, but specifies that this link only exists for psilocybin, and not for other psychedelics.

##### **Biden Administration Announcement**

In July, 2022, President Joe Biden's administration announced that it anticipates that regulators in the United States will approve MDMA and psilocybin within the next two years for designated breakthrough therapies for PTSD and depression, respectively. The administration is also exploring the prospect of establishing a federal task force to monitor the emerging psychedelic treatment ecosystem.

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#### Alberta Regulations

On October 5, 2022, the province of Alberta announced that it will become the first Canadian jurisdiction to regulate psychedelic drugs for people in therapy. Under the plan, the provincial government will regulate the psychedelic drugs psilocybin, psilocin, MDMA, LSD, mescaline, DMT, 5 methoxy DMT and ketamine as a treatment for mental health disorders. Alberta's new regulations, which are schedule to take effect in January 2023, would require medical directors to apply for a license before treating patients with psychedelics. All treatment with psychedelics would require the oversight of a psychiatrist. Health professionals could not charge money for the drugs, and a qualified professional must only give patients the drugs at a medical facility – unless the person is in palliative care. Staff will be required to supervise the patients while they are in an altered mental state.

#### RESULTS OF OPERATIONS

##### For the year ended June 30, 2022 and 2021

The loss and comprehensive loss for the year ended June 30, 2022, was \$1,939,321 compared to June 30, 2021 of \$1,626,557. The increase in loss is described in further detail below but is mainly attributable to costs incurred for salaries and benefits, investor relations, regulatory filings and listing fees, share based compensation, depreciation and amortization. The higher cost in 2022 was partially offset by lower management fees, professional fees, leasehold operating cost, and product development costs.

For the year ended June 30, 2022, revenues from product sales were \$16,048. The Company expects revenues to increase significantly going forward due to the Company's retail and distribution strategy.

Below is a reference to the Company's statements of loss and comprehensive loss for the years end June 30, 2022 and 2021 along with a discussion of the key factors that lead to the changes in operating expenses:

	For the year ended	
	June 30,	
	2022	2021
	\$	\$
<b>Income</b>		
Product sales	16,048	-
Cost of sales	(164,427)	-
	(148,379)	-
<b>Expenses</b>		
Marketing	191,383	170,247
Investor relations	174,710	-
Product development and other costs	61,720	112,409
Leasehold operating costs	31,481	92,118
Consulting fees	74,128	82,991
Management fees	69,125	538,120
Professional fees	143,733	250,986
Regulatory filings and listing fees	169,913	97,429
Office	54,063	35,761
Salaries and benefits	472,547	74,552
Share-based compensation	85,926	19,830
Loss on asset disposals	2,533	-
Impairment of intangible assets	51,208	-
Depreciation and amortization	139,534	92,834
	(1,722,004)	(1,567,277)
<b>Other income (expenses)</b>		
Interest and other income	6,836	3,018
Interest accretion	(75,774)	(68,298)
Gain on debt settlement	-	6,000
<b>Loss and comprehensive loss for the period</b>	<b>(1,939,321)</b>	<b>(1,626,557)</b>

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#### **Salaries and benefits – Increased**

Salaries and benefits increased by \$397,995 (534%) to \$472,547 for the year ended June 30, 2022 compared to \$74,552 for the year ended 2021. The primary reason for the increase was that the Company started hiring employees in fiscal 2021 to fill positions for facility maintenance, marketing and accounting. In addition, there were additional costs related to the hiring and then changeover in the CEO position. Finally, certain consultants were hired on as employees which resulted in less management fees being charged to the Company.

#### **Investor Relations - Increase**

Investor relations was \$174,710 for the year ended June 30, 2022, compared to \$nil for the year ended 2021. The increase of \$174,710 was because the Company listed its common shares publicly in November 2021 on the Canadian Securities Exchange. In addition to the CSE listing, the Company also listed its shares on the OTC and up listed to the OTCQB. As part of each listing, the Company engaged an investor relations firm to assist with investor matters. In addition, costs were also incurred to a separate company to assist with preparing new investor materials and content.

#### **Regulatory and listing fees - Increased**

Regulatory and listing expenses increased by \$72,484 (174%) to \$169,913 for the year ended June 30, 2022 compared to \$97,429 for the year ended 2021. The increase was due primarily 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. In addition, during the year ended June 30, 2022, the Company listed on the Frankfurt Stock Exchange ("FSE") and on the OTCQB in the United States.

#### **Share-based compensation - Increased**

Share-based compensation for the year ended June 30, 2022 was \$85,926 compared to \$19,830 for 2021. The increase in 2022 was primarily due to continued fair value amortization of 2021 granted options plus the issuance of 1,200,000 new stock options to directors, officers, and employees.

#### **Depreciation and amortization – Increased**

Depreciation and amortization increased by \$46,700 (50%) to \$139,534 for the year ended June 30, 2022 compared to \$92,834 for the year ended 2021. The increase in depreciation and amortization expense primarily related to the fact that assets acquired in fiscal 2021 were subject to a full year of depreciation and amortization in fiscal 2022. New capital asset acquisitions were minimal with the exception of a new right of use asset acquired for \$103,085 related to the lease of an office space.

#### **Management fees – Decreased**

Management fees were \$69,125 for the year ended June 30, 2022, compared to \$538,120 for the same period in 2021. The decrease of \$468,995 (87%) was because certain consultants were replaced by employees and the services of other consultants were no longer needed by the Company.

#### **Professional Fees – Decreased**

Professional fees were \$143,733 for the year ended June 30, 2022, compared to \$250,986 for the period June 30, 2021. The decrease of \$107,253 (37%) was mainly due to the decrease in costs related to legal, accounting, and auditing during capital raises and the going public process. The Company's ability to hire an in house legal counsel also contributed to the decrease in professional fees.

#### **Leasehold operating costs – Decreased**

Leasehold operating costs were \$31,481 for the year ended June 30, 2022, compared to \$92,118 for the year ended 2021. The decrease of \$60,637 (66%) was primarily due to the company spending less on repairs and maintenance and facility improvements.

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**Product development costs – Decreased**

Product development costs were \$61,720 for the year ended June 30, 2022. This was a \$50,689 decrease from \$112,409 for the year ended June 30, 2021. The decrease in product development costs can be attributed to the completion of products in the first half of the fiscal year ended June 30, 2022. After the Company completed the development of its products, resources shifted from product development to sales and marketing expenses.

**SUMMARY OF QUARTERLY RESULTS**

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

	June 30, 2022 \$	March 31, 2022 \$	December 31, 2021 \$	September 30, 2021 \$
Revenue	13,662	2,386	-	-
Loss and comprehensive loss	(547,903)	(537,459)	(543,280)	(310,679)
Loss per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
	June 30, 2021 \$	March 31, 2021 \$	December 31, 2020 \$	September 30, 2020 \$
Revenue	-	-	-	-
Loss and comprehensive loss	(630,318)	(405,502)	(418,132)	(172,605)
Loss per share – basic and diluted	(0.01)	(0.01)	(0.02)	(0.01)

As a start-up, the company has primarily focused on market research, product development, and implementing strong internal systems to support the growth of the company over the next few years. With the foundation set and the “going public” milestone reached, from early February 2022 and onwards the Company has shifted focus to the sales and distribution of its first line of medicinal mushroom products. As of June 30, 2022 the Company has recognized revenues but they were not substantial; however, the Company has noticed a consumer interest for their products. The Company has been working with its sales brokers extensively to get its products on shelves and expects substantial growth due to its retail distribution strategy.

The change in loss and comprehensive loss for the three months ended June 30, 2022, compared to the same period in 2021 is negligible. However, it should be noted that costs incurred for the 3 months ended June 30, 2021, were mainly the result of the going public process and therefore were higher than other quarters. Changes in quarter over quarter losses for other periods were not as significant but they did generally increase as the Company completed development and brought to market its first line of products. Going forward as has been the case for the past two quarters, smart spending is a primary focus of the Company and with increased revenues in sight, the company can look to deliver more value to shareholders.

Furthermore, and included in the quarterly loss, on June 30, 2022, the Company impaired a 3-year cannabis license asset it acquired in December of 2020 and wrote-down \$157,462 in inventory. Originally, the Company acquired the cannabis cultivation license to support one of its four business pillars described in its filed prospectus. However, due to the poor current market for cannabis products, the Company's decided to focus on the sale of its medicinal mushroom products. The inventory remains on-hand, is unexpired, and is sellable for use in the Company's retail rollout. However, building sales channels and distribution is a lengthy process, which was one of the key factors in management's determination that the inventory should be written down for accounting purposes.



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#### CAPITAL RESOURCES AND LIQUIDITY

As of June 30, 2022, the Company had cash of \$1,874,416 (June 30, 2021 - \$3,733,524) and working capital of \$2,753,643 (June 30, 2021 - \$2,247,059).

Cash used in operating activities for the year ended June 30, 2022, was \$1,711,154 compared to \$2,368,158 for the year ended 2021, a decrease of \$657,004. The decrease in cash used in operating activities was primarily because the company incurred significant prepaid costs in 2021 in connection with the Company's share listing. The decrease in cash used in operating activities was offset by higher general operating costs as the company scaled up and launched its first line of products.

Cash used in investing activities for the year ended June 30, 2022, was \$7,875 compared to \$26,055 for the same period in 2021. The amount of \$7,875 was for the purchases of farm and office equipment and for trademark costs. The year ended 2021 included \$155,791 for farm equipment, furniture and office equipment, leasehold improvements, and intangible asset purchases. This amount was partially offset by \$109,082 of cash received from the acquisition of Pendulum Craft Corp.

Cash used in financing activities for the year ended June 30, 2022, was \$140,079 compared to \$5,786,841 provided by financing activities for the comparable period in 2021. The increased cash provided by financing activities for the year ended 2021 was primarily due to the receipt of share issuance proceeds.

#### Going concern

The Company has generated minimal revenue to date and has relied on equity financings to finance its operations. The ability of the Company to continue as a going concern and meet its commitments as they become due is dependent on the Company's ability to obtain the necessary financing to fund its ongoing operations until the Company can generate sufficient revenue to sustain its operations. Although the Company has been successful in raising capital there is no assurance that this will continue as there can be unforeseen changes in regulatory environment, market conditions or other global factors.

The consolidated financial statements are prepared on a going concern basis, which assumes the Company will be able to meet its obligations as they become due for the next twelve months. The financial statements do not give effect to any adjustment which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the financial statements. Such adjustments could be material.

#### 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:

	June 30, 2022	June 30, 2021
	\$	\$
<b>Maturity analysis</b>		
Less than one year	163,882	96,000
One year to five years	653,487	480,000
More than five years	240,000	480,000
Total undiscounted lease liability	1,057,369	1,056,000

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#### TRANSACTIONS WITH RELATED PARTIES

Key management personnel include directors and officers who have the authority and responsibility for the planning, directing, and controlling the activities of the Company. The compensation paid to these key management personnel for the years ended June 30, 2022 and 2021 is as below:

	Years ended	
	June 30, 2022	June 30, 2021
	\$	\$
Management fees	72,625	571,748
Professional fees	44,139	111,206
Listing expenses	106,756	88,630
Share-based compensation	58,850	11,961
Lease payments	96,000	60,000
Salaries and benefits	58,299	-
	436,669	843,545

During the year ended June 30, 2022, the Company incurred \$19,500 (June 30, 2021 - \$nil) in management fees to Ralph Olson, a director and CEO of the Company. During the year ended June 30, 2022, in addition to the preceding fees, the Company paid management fees of \$24,000 (June 30, 2021 - \$66,000) to Daniel Vice, a director and the Company's former CEO. In addition, for the year ended June 30, 2022, the Company incurred \$25,625 (June 30, 2021 - \$nil) in management fees to a consulting firm where Peter Geh, the Company's CFO, is the owner. During the year ended June 30, 2022, the Company also paid management fees of \$3,500 (June 30, 2021 - \$nil) to a consulting firm where Gordon Jang, a former director, is the owner. Included in accounts payable as at June 30, 2022 is \$6,500 and \$2,166 owing to Mr. Olson and Mr. Geh's firm respectively.

During the year ended June 30, 2022, the Company incurred professional and listing expenses of \$44,139 and \$106,756 (June 30, 2021 - \$111,206 and \$88,630) respectively to a law firm where Scott Reeves, a director of the Company, is a partner. No balance was outstanding as at June 30, 2022.

During the year ended June 30, 2022, the Company incurred net share-based compensation of \$58,850 (June 30, 2021 - \$11,961) to directors and officers. The net amount for June 30, 2022 is made up of \$70,558 in compensation less \$11,708 in reversed compensation as a result of options being forfeited (Note 13).

During the year ended June 30, 2022, the Company paid \$96,000 (June 30, 2021 - \$60,000) to Sungrown Organics Inc., a company which is 50% controlled by a former officer and director of the Company, for the rental of its Vernon facility. No balance was outstanding as at June 30, 2022.

During the year ended June 30, 2022, the Company paid \$58,299 (June 30, 2021 - \$nil) in salary, severance and related benefits to Maryam Marissen, the Company's former CEO. No balance was outstanding as at June 30, 2022.

#### CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are as follows:

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#### *Going concern*

The Company's ability to execute its strategy by funding future working capital requirements requires judgement. Estimates and assumptions are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. The factors considered by management are disclosed in Note 1 of our consolidated financial statements.

#### *Useful lives of property and equipment*

Property and equipment are depreciated over their useful lives. Useful lives are based on management's estimate and using industry norms which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of loss and other comprehensive loss in specific periods.

#### *Impairment*

Long-lived assets, including equipment and intangibles, are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). Judgements and estimates are required in defining a CGU and determining the indicators of impairment and the estimates required to measure an impairment, if any.

#### *Share-based payments*

The Company measures the cost of equity-settled transactions with employees and non-employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating the fair value requires determining the most appropriate inputs to the valuation model including the expected life of the instrument, volatility, risk-free interest rate and dividend yield.

#### *Income taxes*

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these income tax provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred tax assets are recognized where it is determined that the Company is likely to recognize their recovery from the generation of taxable income.

## **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.

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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 mostly because of their current nature. 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.

	Years ended	
	June 30, 2022	June 30, 2021
	\$	\$
Cash *	1,874,416	3,733,524
Accounts receivable	85,412	28,489
Due from related parties	-	15,096
Accounts payable and accrued liabilities	125,410	416,595
Lease liability	746,099	687,544

\* Cash is classified as fair value through profit and loss, all other financial instruments are classified as amortized cost. 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.

**Risks arising from financial instruments and risk management***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.

*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 significant foreign exchange rate risk as predominately all its transactions occur in Canadian dollars.

*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.

*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 June 30, 2022, the Company had a cash balance of \$1,874,416 to settle the current liabilities of \$218,870 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.

## DOSEOLOGY SCIENCES INC.

### Management's Discussion and Analysis

For the year ended June 30, 2022

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#### CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprising issued share capital, reserves, and deficit.

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other financing activities as deemed appropriate under specific circumstances.

The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2022.

#### OUTSTANDING SHARE DATA

As at October 28, 2022, the following securities were issued and outstanding:

Issued and outstanding common shares	41,100,300
Incentive stock options exercisable between \$0.10 and \$0.40 per share	3,050,000
Share purchase warrants (1)	16,332,720
	<hr/>
	60,483,020
	<hr/>

(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 November 1, 2023.

#### RISKS AND UNCERTAINTIES

##### Risks Relating to the Business

###### *The Changing Regulatory Landscape*

The Company's business is and will continue to be regulated as applicable laws continue to change and develop. Regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. Further, the Company cannot predict what kind of regulatory requirements its business will be subject to in the future. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of one of the Company's business pillars and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Furthermore, although the operations are currently carried out in accordance with all applicable laws and regulations, no assurance can be given that new laws and regulations will be enacted that could limit the Company's ability to conduct its business. Local, provincial, and federal laws and enforcement policies concerning psychedelic-related conduct are changing rapidly and will continue to do so for the foreseeable future. Changes in applicable laws are unpredictable and could have a material adverse effect on the Company. Changes in applicable laws or regulations could significantly diminish the Company's prospects. The Company has no control over potential changes to laws or regulations that may affect its business.

Health Canada's Special Access Program ("SAP") was designed to allow Canadian's access to new, potentially life-saving medication before it is formally approved for routine use in health care. In January 2020, Health Canada revised the SAP to allow healthcare practitioners to make applications for use of controlled substances and on May 6, 2022, Health Canada issued a notice to provide information on the use of psilocybin mushrooms in clinical trials or as a drug requested through the Special Access Program. Based on the development of the regulatory environment, the Company believes further development could create an avenue for providing SAP patients with certain controlled substances. Although the regulatory environment is continuing to show growth, the Company will need to obtain approval from Health Canada before it is able to participate in this industry.

## **DOSEOLOGY SCIENCES INC.**

### Management's Discussion and Analysis

For the year ended June 30, 2022

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#### *The Company's limited operating history*

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. 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.

#### *Inventory Expiration Risk*

The Company has developed products that have a finite life and there is a risk that the inventory carried will become obsolete. Due to the products two to five year life, the Company believes inventory turnover will ultimately reduce this risk significantly. In the event products are not being sold at a rate that supersedes the expiration date and the Company is no longer able to sell the products. The Company will need to write off the inventory on hand which could have a materially adverse effect on the financial statements.

#### *Significant ongoing costs and obligations*

The Company expects to incur 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, unless significant revenues can be achieved. 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 favorable 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 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.

#### *Insurance and uninsured risks*

The Company's business is subject to several 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.

**DOSEOLOGY SCIENCES INC.**

Management's Discussion and Analysis

For the year ended June 30, 2022

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*Litigation Liabilities*

The Company participation in the consumer-packaged goods industry as well as the psychedelic industry may cause rise to public scrutiny, formal or informal complaints, and enforcement action. The Company may also be subject to various inquiries by local, provincial, and federal authorities. As such, these actions may cause the Company to participate in litigation and or other legal proceedings. In doing so, the Company could consume considerable amounts of financial and other corporate resources, which could have a materially adverse effect on the Company.

**Additional Information**

Additional information relating to the Company is available on its corporate website, [www.doseology.com](http://www.doseology.com).