



Doseology Sciences Inc.

Management's Discussion & Analysis

For the three months ended September 30, 2022 and 2021

DOSEOLOGY SCIENCES INC.

Management's Discussion and Analysis

For the three months ended September 30, 2022

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 November 23, 2022 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months ended September 30, 2022 and the 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.

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 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.

HIGHLIGHTS SUBSEQUENT TO THE QUARTER ENDED SEPTEMBER 30, 2022

Sobeys Product Launch

In November, 2022, the Company commenced the launch of its functional mushroom products in Sobeys and Safeway stores across Canada. The placement includes 32 Sobeys locations and 16 Safeway locations. The Company's product line is available in the Rachele Béry wellness boutique section of Sobeys and Safeway. Sobeys Inc. is the second largest supermarket chain in Canada, with over 1,500 stores operating across Canada under a variety of banners, including Safeway and Rachele Béry.

Whole Foods Product Launch

In November, 2022, the Company also commenced the launch of its functional mushroom products in Whole Foods Canada. Whole Foods is a high-end multinational supermarket chain with 14 retail locations in Canada.

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

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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.

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 scheduled 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.

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RESULTS OF OPERATIONS**For the three months ended September 30, 2022 and 2021**

The loss and comprehensive loss for the three months ended September 30, 2022, was \$340,074 compared to \$310,679 for the three months ended September 30, 2021. The increase in loss is described in further detail below but is mainly attributable to costs incurred for salaries and benefits, marketing, consulting fees and management fees. The higher cost in 2022 was partially offset by lower product development costs, leasehold operating costs, professional fees, and share-based compensation.

For the three months ended September 30, 2022, revenues from product sales were \$5,163. The Company expects revenues to increase going forward due to the Company's retail and distribution strategy and brand affiliate program. More about the retail and distribution strategy and brand affiliate program was included above in the key highlights section of this MD&A.

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

| | For the three months ended September 30, | |
|---|---|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Income | | |
| Product sales | 5,163 | - |
| Cost of sales | (10,476) | - |
| | (5,313) | - |
| Expenses | | |
| Marketing | 51,634 | 32,781 |
| Investor relations | 1,855 | - |
| Product development and other costs | - | 26,543 |
| Leasehold operating costs | 2,825 | 18,029 |
| Consulting fees | 9,750 | - |
| Management fees | 33,047 | 24,000 |
| Professional fees | 14,794 | 26,537 |
| Regulatory filings and listing fees | 7,490 | 13,343 |
| Office | 19,589 | 11,406 |
| Salaries and benefits | 130,348 | 90,529 |
| Share-based compensation | 14,362 | 23,022 |
| Depreciation and amortization | 28,291 | 30,772 |
| | (313,985) | (296,962) |
| Other income (expenses) | | |
| Interest and other income | 2,405 | 3,415 |
| Foreign exchange loss | (4,447) | - |
| Interest accretion | (18,734) | (17,132) |
| Loss and comprehensive loss for the period | (340,074) | (310,679) |

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Salaries and benefits – Increased

Salaries and benefits increased by \$39,819 (44%) to \$130,348 for the three months ended September 30, 2022 compared to \$90,529 for the same period in 2021. The primary reason for the increase is that the Company currently carries more employees since it has hired positions for, marketing, accounting and legal. In addition, for the three months ended September 30, 2022, there were additional costs related to an employee severance payment.

Marketing - Increase

Marketing was \$51,634 for the three months ended September 30, 2022, compared to \$32,781 for the same period in 2021. The increase of \$18,853 (58%) was primarily because the Company initiated a small portion of its prepaid marketing program. The unused portion of prepaid marketing and consulting costs as of September 30, 2022 was \$862,250. In addition, marketing has increased since the Company also incurred marketing costs related to promotional offers on products.

Consulting Fees – Increased

Consulting fees were \$9,750 for the three months ended September 30, 2022 compared to \$nil for the same period in 2021. The increase in consulting fees is attributable to assistance in marketing efforts such as search engine optimization to increase the visibility of the Company's products and brand online.

Management fees – Increased

Management fees were \$33,047 for the three months ended September 30, 2022, compared to \$24,000 for the same period in 2021. The increase of \$9,047 (38%) was due to the Company currently having both a contracted CFO and CEO whereas in the prior period, some of these costs were included in salaries and benefits.

Product development costs – Decreased

Product development costs were \$nil for the three months ended September 30, 2022 since the Company conducted no product development activities during this period. In contrast, for the same period in 2021 the company incurred \$26,543 in product development costs since it was still developing the products that it is currently selling. Since product development has been completed, resources and effort have shifted towards sales and marketing.

Leasehold operating costs – Decreased

Leasehold operating costs were \$2,825 for the three months ended September 30, 2022, compared to \$18,029 for the same period in 2021. The decrease of \$15,204 (84%) was primarily due to the company spending less on repairs and maintenance and facility improvements.

Professional Fees – Decreased

Professional fees were \$14,794 for the three months ended September 30, 2022 compared to \$26,537 for the same period in 2021. The decrease of \$11,743 (44%) was mainly due to the Company spending less on legal and audit fees related to the Company going public. Professional fees incurred for the three months ended September 30, 2022 were almost entirely related to listing the Company on the OTCQB Venture Market.

Share-based compensation – Decreased

Share-based compensation for the three months ended September 30, 2022 was \$14,362 compared to \$23,022 for the same period in 2021. The decrease of \$8,660 (38%) was due to the overall reduced fair value of previously granted stock options being amortized into income.

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SUMMARY OF QUARTERLY RESULTS

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

| | September 30, 2022 \$ | June 30, 2022 \$ | March 31, 2022 \$ | December 31, 2021 \$ |
|------------------------------------|-----------------------------|------------------------|-------------------------|----------------------------|
| Revenue | 5,163 | 13,662 | 2,386 | - |
| Loss and comprehensive loss | (340,074) | (547,903) | (537,459) | (543,280) |
| Loss per share – basic and diluted | (0.01) | (0.01) | (0.01) | (0.01) |
| | September 30, 2021 \$ | June 30, 2021 \$ | March 31, 2021 \$ | December 31, 2020 \$ |
| Revenue | - | - | - | - |
| Loss and comprehensive loss | (310,679) | (630,318) | (405,502) | (418,132) |
| Loss per share – basic and diluted | (0.01) | (0.01) | (0.01) | (0.02) |

As a start-up, for quarters ending December 31, 2021 and prior, the company was 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 in November 2021, 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 September 30, 2022 the Company has made meaningful progress regarding its sales strategy. As further noted above in the highlights section of this MD&A, the Company has placed its products in several well know retail chains already and the Company expects this will translate into revenues over the coming quarters.

The change in loss and comprehensive loss for the three months ended September 30, 2022, compared to the same period in 2021 is insignificant. However, the decrease in loss and comprehensive loss for the quarter ended September 30, 2022 from June 30, 2022 was \$50,367 when the inventory write-down of \$157,462 is adjusted from the June 30, 2022 quarterly results (\$207,829 when this is not adjusted). This continues to show a continuing downward trend in operating expenses over the past several quarters because of the company focussing on smart spending. This fact paired with increased revenues in sight, the company can hopefully look to deliver more value to shareholders.

Furthermore, and included in the quarterly loss on September 30, 2022, the Company began to use a portion of its prepaid marketing and consulting costs to further generate brand awareness and drive customers to retail locations where products are being sold. This expense is non-cash and as of September 30, 2022, \$862,250 in prepaid marketing and consulting costs are still available to the Company. Building sales channels and distribution is a lengthy process, and as the Company expands into more retail locations, these prepaid marketing agreements will be essential for generating sales.

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CAPITAL RESOURCES AND LIQUIDITY

As of September 30, 2022, the Company had cash and cash equivalents of \$1,595,459 (September 30, 2021 - \$3,127,756) and working capital of \$2,463,038.

Cash used in operating activities for the three months ended September 30, 2022, was \$244,319 compared to \$593,730 for the same period in 2021, a decrease of \$349,411. The decrease in cash used in operating activities was primarily because the company settled significant accounts payable in connection with the Company's share listing in 2021. The Company also decreased cash used in operating activities due to the use the prepaid marketing contracts in 2022. The decrease in cash used in operating activities was slightly offset by higher general cash operating costs in 2022.

Cash used in investing activities for the three months ended September 30, 2022, was \$nil compared to \$1,663 for the same period in 2021. The amount incurred in 2021 was for trademark costs.

Cash used in financing activities for the three months ended September 30, 2022, was \$34,638 compared to \$10,375 for the comparable period in 2021. The increase in cash used in financing activities in 2022 was primarily due to increased lease payments associated with the Company's farm and office properties.

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 condensed interim consolidated financial statements were 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:

| | September 30, 2022 | June 30, 2022 |
|---|-----------------------|------------------|
| | \$ | \$ |
| Maturity analysis | | |
| 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 | 1,057,639 | 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 three months ended September 30, 2022 and 2021 is as below:

| | Three months ended | |
|--------------------------|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 |
| | \$ | \$ |
| Management fees | 33,047 | 24,000 |
| Professional fees | - | 7,885 |
| Listing expenses | - | 11,048 |
| Share-based compensation | 11,113 | 15,474 |
| | 44,160 | 58,408 |

Management fees

During the three months ended September 30, 2022, the Company incurred \$19,578 (September 30, 2021 - \$nil) in management fees to Ralph Olson, a director and the CEO of the Company. In addition, during the three months ended September 30, 2022, the Company incurred \$13,469 (September 30, 2021 - \$nil) in management fees to a consulting firm where Peter Geh, the Company's CFO, is the owner. Included in accounts payable as at September 30, 2022 is \$6,579 and \$6,267 owing to Mr. Olson and Mr. Geh's firm respectively.

Professional fees and listing expenses

During the three months ended September 30, 2022, the Company incurred \$nil (September 30, 2021 - \$18,933) in professional fees and listing expenses to a law firm where Scott Reeves, a director of the Company, is a partner. No balance was outstanding as at September 30, 2022.

Share-based compensation

During the three months ended September 30, 2022, the Company incurred share-based compensation of \$11,113 (September 30, 2021 - \$15,474) to directors and officers.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed interim 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:

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.

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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.

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.

| | September 30, 2022 | June 30, 2022 |
|--|-------------------------------|--------------------------|
| | \$ | \$ |
| Cash and cash equivalents * | 1,595,459 | 1,874,416 |
| Accounts receivable | 85,644 | 85,412 |
| Accounts payable and accrued liabilities | 95,241 | 125,410 |
| Lease liability | 516,977 | 746,099 |

* Cash and cash equivalents are 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.

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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 but it does hold GIC investments. The GIC's are cashable and investment terms are 90 days or less to minimize cash flow and interest rate risk. Overall, the Company is exposed to minimal 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 September 30, 2022, the Company had a cash balance of \$1,596,459 to settle the current liabilities of \$165,981 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.

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 as of September 30, 2022.

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OUTSTANDING SHARE DATA

As at November 23, 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

Investing in the Company's securities involves a high degree of risk. The risk factors identified in this MD&A are ones that the Company believes are of most significance and are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations. The occurrence of any of such risks, or other risks not presently known to the Company or that the Company currently believes are immaterial, could materially and adversely affect the Company's investments, prospects, cash flows, results of operations or financial condition, and the Company's ability to make dividend payments to shareholders. The value of the Common Shares, or any other securities of the Company that may be offered or issued and outstanding from time to time, could decline and investors may lose all or part of their investment.

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.

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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.

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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.