doseology

Doseology Sciences Inc.

Management's Discussion & Analysis

For the three and six months ended December 31, 2022 and 2021

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 February 27, 2023 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and six months ended December 31, 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.

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 innovative nutraceutical products. Doseology aims to make a meaningful impact on the mental health pandemic by utilizing and developing functional fungi and plant-derived drugs. Doseology's functional mushroom products, including tinctures, powders and supplements, 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 functional mushroom tinctures, powders, and supplements. The Company's tinctures 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. The Company has established retail sales channels for its products in Canada and sells its products online through its website and Amazon. The Company's products are now on the shelves of approximately 115 retail locations across Canada, and the Company continues to work with its sales broker and distributor to develop additional sales channels. The Company also intends to establish retail sales channels in the United States.

Termination of Lease at Vernon Facility

The Company terminated the lease at its facility in Vernon, British Columbia. The facility, located at 6294 Old Kamloops Road, was the site of the Company's application to Health Canada for a Dealer's License under the *Controlled Drugs and Substances Act*. Accordingly, the Company discontinued its application for a Dealer's License. In connection with the lease termination, the Company obtained a release from the landlord of the premises from any liability arising under the lease. The Company determined that the limited market for psilocybin products and the slow pace of regulatory change made operations at the Vernon facility unfeasible. The Company could not justify the additional capital expenditures required to complete construction and obtain a Dealer's License.

Strategic Review

The Board of Directors of the Company, with the support of management, has initiated a review process to explore and evaluate a broad range of strategic alternatives. The strategic review process will encompass an evaluation of the Company's current strategic direction, operations, market valuation and capital structure and will consider appropriate alternatives for the Company, which may include one or more of the following: continuation as a stand-alone public company, strategic investor participation, acquisition by or a merger with an industry partner that may involve all or part of the Company's business or assets, and any other strategic alternatives that may be identified during the strategic review. While the strategic review process is ongoing, the Company intends to continue to pursue its core strategic objectives so as to maintain and enhance the value of its current business and operations.

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.

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

Sobeys

The Company launched 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 Rachelle 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 Rachelle Béry.

Whole Foods

The Company also launched its functional mushroom products in 14 top-tier Whole Foods Market Canada locations. Three SKUs will initially be available at Whole Foods - the SLEEP, WAKE, and ELEVATE functional mushroom tinctures. For more than 40 years, Whole Foods Market has been a leading natural and organic foods retailer. Whole Foods seeks out the finest natural and organic foods available, maintains the strictest quality standards in the industry, and has an unshakeable commitment to sustainable agriculture. Whole Foods has more than 500 stores in the United States, Canada and the United Kingdom.

Nature's Emporium

The Company launched its functional mushroom products in Nature's Emporium, with 4 retail locations in Ontario. Nature's Emporium was founded in 1993, with a mission to introduce and support a healthy lifestyle based on natural and organic foods. Nature's Emporium offers more than 35,000 natural and organic products to explore, from unique local goods just waiting to be discovered, to the major brands you know and trust.

Board Changes

Harbir Toor resigned as a Director of the Company and the Independent Audit Chair. David Lutz was appointed as a Director and Pratik Patel was appointed as a Director and Independent Audit Chair.

David Lutz, CPA has extensive experience in small business management consulting, corporate finance, and business valuation. He has performed and supervised over 200 business valuations. In corporate finance he helped structure, underwrite, and syndicate over $100 million in private and public stock offerings. With over 18 years' experience in the brokerage industry and seven years' experience with a major Chicago-based management consulting firm, Mr. Lutz has acquired unique and diverse experience in legal and business matters.

Pratik (Tiki) Patel, CPA has over fifteen years of experience as a senior accounting and finance professional, with expertise in integration and external reporting. His experience includes serving as Head of Finance at Bardel Entertainment and a Senior Corporate Accountant at WildBrain Studios.

RESULTS OF OPERATIONS

For the three and six months ended December 31, 2022 and 2021

The loss and comprehensive loss for the three months ended December 31, 2022, was $188,297 compared to $543,280 for the three months ended December 31, 2021. The decrease in loss is described in further detail below but is mainly attributable to lower costs associated with regulatory filings and listing fees, marketing, salaries and benefits, share-based compensation, consulting fees, and product development and other costs. The company also benefited recovering $96,760 in income tax credits through the government of Canada's SR&ED program. The lower operating costs in 2022 were partially offset by higher management fees and professional fees. The loss and comprehensive loss for the six months ended December 31, 2022, was $523,924 compared to $853,959 for the six months ended December 31, 2021. The decrease in loss is described in further detail below but is mainly attributable to the same items mentioned for the three months ended December 31, 2022 and 2021.

For the three months ended December 31, 2022, revenues from product sales were $17,058 compared to $nil for the same period ending December 31, 2021. For the six months ended December 31, 2022 the company had revenues of $22,221 compared to $nil for the same period ending December 31, 2021.

Below is a reference to the Company's statements of loss and comprehensive loss for the three and six months ended December 31, 2022 and 2021 along with a discussion of the key factors that lead to the changes in operating expenses:

	For the three months ended December 31,		For the six months ended December 31,	
	2022	2021	2022	2021
	$	$	$	$
Income				
Product sales	17,058	-	22,221	-
Cost of sales	(11,253)	-	(21,729)	-
	5,805	-	492	-
Expenses				
Marketing and product placement	71,646	83,509	123,280	116,290
Investor relations	1,919	25,551	3,774	25,551
Product development and other costs	-	22,212	-	48,755
Leasehold operating costs	8,233	3,637	11,058	21,666
Consulting fees	2,375	26,269	12,125	26,269
Management fees	34,839	-	67,886	24,000
Professional fees	37,130	23,888	51,924	50,425
Regulatory filings and listing fees	11,320	138,193	18,810	151,536
Office	21,619	11,619	41,208	23,025
Salaries and benefits	60,577	95,781	190,925	186,310
Share-based compensation	9,013	38,633	23,375	61,655
Loss on asset disposal	-	2,533	-	2,533
Depreciation and amortization	28,068	47,033	56,359	77,805
	(286,739)	(518,858)	(600,724)	(815,820)
Other income (expenses)				
Interest and other income	14,111	(2,533)	16,516	882
Interest accretion	(18,234)	(21,889)	(36,968)	(39,021)
Income tax recovery	96,760	-	96,760	-
Loss and comprehensive loss for the period	**(188,297)**	**(543,280)**	**(523,924)**	**(853,959)**

Regulatory filing and listing fees – Decreased

Regulatory filing and listing fees decreased by $126,873 (92%) to $11,320 for the three months ended December 31, 2022 compared to $138,193 for the same period in 2021. The decrease was primarily due to accounting and legal fees related to preparing and filing of a prospectus for the listing of the Company's common shares on the Canadian Securities Exchange (CSE) on November 15, 2021. For the six months ended December 31, 2022, Regulatory filing and listing fees decreased by $132,726 (88%) to $18,810 compared to $151,536 for the same period in 2021. The reason for the six month decrease was the same as noted for the three month decrease.

Marketing – Decreased

Marketing was $71,646 for the three months ended December 31, 2022, compared to $83,509 for the same period in 2021. The decrease of $11,863 (14%) was primarily because the Company incurred additional costs on social media platforms in the United States to coincide with the Company's line of seven functional mushroom tinctures and powders in 2021. In 2022, the lower cost on social media spend was offset by listing costs to place the Company's product in retail locations. For the six months ended December 31, 2022 the Company incurred $123,280 compared to $116,290 for the same period in 2021. The costs incurred in 2021 were primarily due to the same reasons mentioned for the three month period. Costs incurred during the six months ended December 31, 2022 also related to the Company initiating its prepaid marketing program. The unused portion of prepaid marketing as of December 31, 2022 was $832,250.

Salaries and benefits – Decreased

Salaries and benefits decreased by $35,204 (37%) to $60,577 for the three months ended December 31, 2022 compared to $95,781 for the same period in 2021. The primary reason for the decrease is that the Company condensed its employee roles in, marketing, accounting and legal. For the six months ended December 31, 2022 salaries and benefits were $190,925 compared to $186,310 for the same period in 2021. The increase of $4,615 (2%) was negligible.

Share-based compensation – Decreased

Share-based compensation for the three months ended December 31, 2022 was $9,013 compared to $38,633 for the same period in 2021. The decrease of $29,620 (77%) was due to the overall reduced fair value of previously granted stock options being amortized into income. For the six months ended December 31, 2022, share-based compensation was $23,375 compared to $61,655 for the same period in 2021. The decrease of $38,280 (62%) was primarily due to the same reasons mentioned for the three month period.

Consulting Fees – Decreased

Consulting fees were $2,375 for the three months ended December 31, 2022 compared to $26,269 for the same period in 2021. The decrease of $23,894 (91%) in consulting fees is attributable to hiring the appropriate staff and the reallocation of consulting fees into management fees. For the six months ended December 31, 2022, consulting fees decreased by $14,144 (54%) to $12,125 compared to $26,269 for the same period in 2021. The decrease was primarily due to the same reasons mentioned for the three months ended December 31, 2022.

Product development and other costs – Decreased

Product development and other costs were $nil for the three months ended December 31, 2022 since the Company conducted no product development activities during this period. In contrast, for the same period in 2021 the company incurred $22,212 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. For the six months ended December 31, 2022, product development and other costs were $nil compared to $48,755 for the same period in 2021. The decrease is due primarily to the same reason mentioned for the three month period ending December 31, 2022.

Management fees – Increased

Management fees were $34,839 for the three months ended December 31, 2022, compared to $nil for the same period in 2021. The increase 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. For the six months ended December 31, 2022, management fees were $67,886 compared to $24,000 for the same period in 2021. The increase of $43,886 (183%) was primarily due to the same reasons mentioned for the three month period ending December 31, 2022.

Professional Fees – Increased

Professional fees were $37,130 for the three months ended December 31, 2022 compared to $23,888 for the same period in 2021. The increase of $13,242 (55%) was mainly due to the Company outsourcing work to recover income tax credits on research and development activities. For the six months ended December 31, 2022, professional fees were $51,924 compared to $50,425 for the same period in 2021. The costs incurred during the period in 2022 were related to accounting fees for securing R&D tax credits; audit fees for the year ended June 30, 2022; and general legal matters throughout this period. For the six months ended December 31, 2021, professional fees related to accounting and legal fees associated with the Company's initial public offering.

SUMMARY OF QUARTERLY RESULTS

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

	December 31, 2022 $	September 30, 2022 $	June 30, 2022 $	March 31, 2022 $
Revenue	17,058	5,163	13,662	2,386
Loss and comprehensive loss	(188,297)	(340,074)	(547,903)	(537,459)
Loss per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
	December 31, 2021 $	September 30, 2021 $	June 30, 2021 $	March 31, 2021 $
Revenue	-	-	-	-
Loss and comprehensive loss	(543,280)	(310,679)	(630,318)	(405,502)
Loss per share – basic and diluted	(0.01)	(0.01)	(0.02)	(0.01)

As a start-up, for quarters ending December 31, 2021 and prior, the Company was primarily focused on market research, product development, and implementing 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 line of functional mushroom products. As of December 31, 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-known retail chains already and the Company expects this will translate into increased revenues over the coming quarters.

The change in loss and comprehensive loss for the three months ended December 31, 2022, compared to the same period in 2021, is significant and reflects steps taken by the Company to reduce costs and to recover income tax credits. The decrease in loss and comprehensive loss for the quarter ended December 31, 2022 from September 30, 2022 was primarily due to the Company recovering income tax credits through the government of Canada's SR&ED program. Overall, the Company has shown a downward trend in operating expenses over the past few quarters.

Furthermore, and included in the quarterly loss for December 31, 2022 and September 30, 2022, the Company began to use a portion of its prepaid marketing 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 December 31, 2022, $832,250 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 the Company intends to ramp up its use of these prepaid marketing services to help gain traction in the marketplace.

CAPITAL RESOURCES AND LIQUIDITY

As of December 31, 2022, the Company had cash and cash equivalents of $1,550,929 (December 31, 2021 - $1,874,416) and working capital of $2,296,778.

Cash used in operating activities for the six months ended December 30, 2022, was $253,769 compared to $1,028,965 for the same period in 2021, a decrease of $775,196. 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 of the prepaid marketing contracts in 2022 and overall lower spending.

Cash used in investing activities for the six months ended December 31, 2022, was $nil compared to $6,128 for the same period in 2021. The amount incurred in 2021 was for the purchase of farm and office equipment.

Cash used in financing activities for the six months ended December 31, 2022, was $69,718 compared to $76,910 for the comparable period in 2021. The cash used in financing activities in 2022 was primarily due to lease payments associated with the Company's farm and office properties. The cash used in financing activities for the same period in 2021 was due to share issuance costs, repayment of lease liability, and offset by payments received from related parties.

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 as of December 31, 2022:

Maturity analysis	December 31, 2022 $	June 30, 2022 $
Less than one year	140,473	163,882
One year to five years	186,257	293,487
Total undiscounted lease liability	326,730	457,369

On January 1, 2023, the Company obtained a lease agreement release from the landlord of the Company's farm property located in Vernon, BC. See note 16 in the Company's Interim Consolidated Financial Statements and the above "Strategy and Outlook" section within this MD&A for more details. The effect of the release was a reduction in required monthly lease payments totalling $240,000 to June 2025.

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 and six months ended December 31, 2022 and 2021 is as below:

	Three months ended		Six months ended	
	December 31, 2022 $	December 31, 2021 $	December 31, 2021 $	December 31, 2022 $
Management fees	34,839	-	24,000	67,886
Professional fees	-	7,865	15,750	-
Listing expenses	-	98,178	109,226	-
Share-based compensation	6,863	15,006	30,011	17,975
	41,702	121,049	178,988	85,862

Management fees

During the three months ended December 31, 2022, the Company incurred $19,214 (December 31, 2021 - $nil) in management fees to Ralph Olson, a director and the CEO of the Company. During the six months ended December 31, 2022 the Company paid $38,792 (December 31, 2021 - $nil). In addition, during the three months ended December 31, 2022, the Company incurred $15,625 (December 31, 2021 - $nil) in management fees to a consulting firm where Peter Geh, the Company's CFO, is the owner. During the six months ended December 31, 2022 the Company paid $29,094 (December 31, 2021 - $nil). Included in accounts payable as at December 31, 2022 is $6,509 and $2,658 owing to Mr. Olson and Mr. Geh's firm respectively. During the six months ended December 31, 2021, the Company incurred $nil (December 31, 2021 - $24,000) in management fees to Daniel Vice, a director of the Company.

Professional fees and listing expenses

During the three months ended December 31, 2022, the Company incurred $nil (December 31, 2021 - $106,043) 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 December 31, 2022. During the six months ended December 31, 2022, the Company incurred $nil (December 31, 2021 - $124,976) in professional fees and listing expenses to Mr. Reeves' law firm.

Share-based compensation

During the three months ended December 31, 2022, the Company incurred share-based compensation of $6,863 (December 31, 2021 - $15,006) to directors and officers. During the six months ended December 31, 2022 the company incurred share-based compensation of $17,975 (December 31, 2021 - $30,011) 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:

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.

	December 30, 2022	**June 30, 2022**
	$	**$**
Cash and cash equivalents *	1,550,929	1,874,416
Accounts receivable	20,277	85,412
Accounts payable and accrued liabilities	101,595	125,410
Lease liability	500,131	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.

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 December 31, 2022, the Company had a cash balance of $1,550,929 to settle the current liabilities of $174,980 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 December 31, 2022.

OUTSTANDING SHARE DATA

As at February 27, 2023, the following securities were issued and outstanding:

Issued and outstanding common shares	41,100,300
Incentive stock options exercisable at $0.10 per share	600,000
Share purchase warrants (1)	11,146,300
	60,483,020

(1) 5,000,000 share purchase warrants exercisable at $0.16 per share expiring on June 1, 2025 and 6,146,300 warrants exercisable at $0.80 per share expiring between March 26, 2022 and November 1, 2023.

RISKS AND UNCERTAINTIES

Investing in the Company's securities involves a high degree of risk. In addition to the risks identified in this MD&A, current and prospective investors should carefully consider all the risk factors noted in the Company's final prospectus, a copy of which is available on SEDAR at www.sedar.com, before purchasing common shares or any other securities of the Company that may be offered or that are issued and outstanding from time to time. The risks identified in the Company's prospectus remain unchanged and such risk factors identified 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.

ADDITIONAL INFORMATION

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