

EVERTON RESOURCES INC.

Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended July 31, 2020

(Expressed in Canadian Dollars)

Condensed Consolidated Interim Financial Statements

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The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements.

| Everton Resources Inc. | | |
|---|-------------------------------------|--------------|
| Condensed Consolidated Interim Statements of Financial Position (Unaudited) | | |
| <i>(Expressed in Canadian dollars)</i> | | |
| As at | July 31, | October 31, |
| | 2020 | 2019 |
| | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash | 127,465 | 4,775 |
| Marketable securities (Note 3) | 588,432 | - |
| Sales taxes receivable | 530 | 9,108 |
| Prepaid expenses | 6,642 | - |
| | 723,069 | 13,883 |
| Long-term investment (Note 4) | - | 964,250 |
| Mineral exploration properties (Note 5) | 1 | 1 |
| Total assets | 723,070 | 978,134 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 10) | 419,323 | 280,767 |
| Loan payable (Note 10) | 92,700 | 192,700 |
| Total liabilities | 512,023 | 473,467 |
| EQUITY | | |
| Share capital (Note 7) | 42,152,701 | 42,152,701 |
| Warrants (Note 8) | 297,669 | 358,669 |
| Contributed surplus (Note 9) | 10,558,485 | 10,497,485 |
| Deficit | (52,797,808) | (52,504,188) |
| Total equity | 211,047 | 504,667 |
| Total liabilities and equity | 723,070 | 978,134 |
| On behalf of the Board | | |
| <u>(signed) "Andre Audet"</u> | <u>(signed) "Philip Waddington"</u> | |
| Andre Audet, Director | Philip Waddington, Director | |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Everton Resources Inc.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Unaudited)

(Expressed in Canadian dollars)

| | Three months ended July 31, | | Nine months ended July 31, | |
|---|--------------------------------|------------|-------------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| Operating expenses | | | | |
| Management and consulting fees | 30,375 | 30,559 | 91,313 | 110,867 |
| Salaries and benefits | - | - | - | 2,016 |
| Travel and promotion | - | - | - | 420 |
| Professional fees (recovery) | 49,540 | (7,300) | 123,641 | 1,633 |
| General and administrative | 10,941 | 16,198 | 64,371 | 68,981 |
| Loss before other items | (90,856) | (39,457) | (279,325) | (183,917) |
| Other items | | | | |
| Interest and other income | - | 14 | - | 43 |
| Change in fair value of financial assets at fair value through profit or loss | 361,372 | - | (14,295) | (103,750) |
| Writedown of mineral exploration properties and exploration and evaluation assets (Note 5) | - | - | - | (149,882) |
| Gain on sale of mineral exploration properties (Note 5) | - | - | - | 279,876 |
| Gain on sale of marketable securities (Note 3) | - | - | - | 16,615 |
| Forgiveness of debt to Management (Note 10) | - | - | - | 75,000 |
| Net earnings (loss) and total comprehensive income (loss) | 270,516 | (39,443) | (293,620) | (66,015) |
| Basic and diluted net earnings (loss) per common share | 0.0029 | (0.0004) | (0.0032) | (0.0007) |
| Basic and diluted weighted average number of common shares outstanding | 93,134,470 | 93,134,470 | 93,134,470 | 93,134,470 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Everton Resources Inc.

Condensed Consolidated Interim Statements of Changes in Equity (Unaudited)

(Expressed in Canadian dollars)

| | Share Capital | | Warrants | Contributed Surplus | Deficit | Total |
|---------------------------------------|-------------------|-------------------|----------------|---------------------|---------------------|------------------|
| | # of shares | \$ | \$ | \$ | \$ | \$ |
| Balance, October 31, 2018 | 93,134,470 | 42,152,701 | 423,970 | 10,432,184 | (49,583,835) | 3,425,020 |
| Expiry of warrants | - | - | (65,301) | 65,301 | - | - |
| Net loss and total comprehensive loss | - | - | - | - | (66,015) | (66,015) |
| Balance, July 31, 2019 | 93,134,470 | 42,152,701 | 358,669 | 10,497,485 | (49,649,850) | 3,359,005 |
| Net loss and total comprehensive loss | - | - | - | - | (2,854,338) | (2,854,338) |
| Balance, October 31, 2019 | 93,134,470 | 42,152,701 | 358,669 | 10,497,485 | (52,504,188) | 504,667 |
| Expiry of warrants | - | - | (61,000) | 61,000 | - | - |
| Net loss and total comprehensive loss | - | - | - | - | (293,620) | (293,620) |
| Balance, July 31, 2020 | 93,134,470 | 42,152,701 | 297,669 | 10,558,485 | (52,797,808) | 211,047 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Everton Resources Inc.

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

(Expressed in Canadian dollars)

| | Three months ended July 31, | | Nine months ended July 31, | |
|--|--------------------------------|-----------------|-------------------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| OPERATING ACTIVITIES | | | | |
| Net earnings (loss) | 270,516 | (39,443) | (293,620) | (66,015) |
| Adjustments for: | | | | |
| Change in fair value of financial assets at fair value through profit or loss | (361,372) | - | 14,295 | 103,750 |
| Writedown of mineral exploration properties and exploration and evaluation assets | - | - | - | 149,882 |
| Gain on sale of mineral exploration properties | - | - | - | (279,876) |
| Gain on sale of marketable securities | - | - | - | (16,615) |
| Forgiveness of debt to Management | - | - | - | (75,000) |
| Changes in non-cash working capital items | 47,854 | 12,633 | 140,492 | 81,822 |
| Net cash flows from operating activities | (43,002) | (26,810) | (138,833) | (102,052) |
| INVESTING ACTIVITIES | | | | |
| Proceeds from sale of mineral exploration properties | - | - | - | 25,000 |
| Proceeds from sale of financial assets at fair value through profit or loss | 120,692 | - | 361,523 | 25,365 |
| Mineral exploration properties and exploration and evaluation assets | - | - | - | (42,361) |
| Net cash flows from investing activities | 120,692 | - | 361,523 | 8,004 |
| FINANCING ACTIVITIES | | | | |
| Loan payable | - | 10,000 | (100,000) | 86,700 |
| Net cash flows from by financing activities | - | 10,000 | (100,000) | 86,700 |
| Increase (decrease) in cash | 77,690 | (16,810) | 122,690 | (7,348) |
| Cash, beginning of the period | 49,775 | 20,876 | 4,775 | 11,414 |
| Cash, end of the period | 127,465 | 4,066 | 127,465 | 4,066 |
| Changes in non-cash working capital items consists of the following: | | | | |
| Sales taxes receivable | 19,829 | - | 8,578 | 7,595 |
| Prepaid expenses | 4,981 | - | (6,642) | 1,400 |
| Accounts payable and accrued liabilities | 23,044 | 12,633 | 138,556 | 72,827 |
| | 47,854 | 12,633 | 140,492 | 81,822 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine month periods ended July 31, 2020

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Everton Resources Inc. ("Everton" or the "Company") was incorporated under the Business Corporations Act (Alberta) on November 7, 1996 and commenced operations on December 19, 1996. In November 2002, the Company commenced operations as a junior mining company which involves the acquisition, exploration, and evaluation of mineral resource properties. Everton is in the exploration stage and does not derive any revenue from the exploration and evaluation of its properties. The address of the Company's corporate office is 591 Reynolds Rd, Lansdowne, Ontario KOE 1L0.

Completion of Reverse Takeover Transaction and Listing on the Canadian Securities Exchange ("CSE")

Subsequent to quarter end, on September 16, 2020, the Company completed its previously announced reverse takeover transaction (the "Transaction"), pursuant to which it acquired all of the issued and outstanding common shares (the "OpCo Shares") of the privately held Molecule Inc. ("OpCo"). The Company will carry on the business of OpCo, which is now a wholly owned subsidiary of the Company, being the production and co-packing of cannabis-infused beverages.

As part of the Transaction and prior to the completion of the Arrangement (as defined below), the Company changed its name to "Molecule Holdings Inc." (the "Name Change") and consolidated the common shares of the Company, on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares (the "Consolidation").

Final CSE Approval and Listing

The Company also received final approval to list its post-consolidation common shares (the "Common Shares") on the Canadian Securities Exchange (the "CSE"). The Common Shares commenced trading on the CSE on September 17, 2020 (the "Listing Date"), under the ticker symbol "MLCL". In addition, a new CUSIP and ISIN (60855E109 and CA60855E1097 respectively) were assigned to all of the common shares of the Company following the Name Change and Consolidation.

The Transaction

The Company and OpCo completed the Transaction by way of plan of arrangement (the "Arrangement") pursuant to the terms of an arrangement agreement dated November 27, 2019, as amended (the "Arrangement Agreement"), whereby the Company acquired all of the issued and outstanding OpCo Shares in exchange for the same number of Common Shares. Pursuant to the terms of the Arrangement Agreement, an aggregate 74,700,100 Common Shares were issued to the former shareholders of OpCo. An additional 1,215,500 Common Shares (the "Debt Shares") were issued to a director of the Company as well as President and CEO as contemplated in the Arrangement Agreement, as settlement of debt. With the completion of the Transaction, the Company had 85,229,047 Common Shares issued and outstanding on the Listing Date (on an undiluted basis), in addition to the Preferred Shares (as defined below). The Debt Shares are subject to a statutory 4 month hold period from the date of issuance.

Prior to the completion of the Transaction, and as approved by the disinterested shareholders of the Company at its annual and special meeting held on April 6, 2020, the Company: (i) voluntarily de-listed its Common Shares from the TSX Venture Exchange effective on Tuesday, September 15, 2020; and (ii) filed articles of amendment to give effect to the Name Change and Consolidation on September 15, 2020. Following the filing of the articles of arrangement by OpCo, the Transaction was completed on September 16, 2020.

Preferred Share Issuance

Pursuant to the terms of the Arrangement Agreement and prior to the completion of the Arrangement, the Company created and issued 9,313,447 preferred shares (the "Preferred Shares"), on the basis of one Preferred Share for every issued and outstanding Common Share of the Company prior to giving effect to the

Everton Resources Inc.

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Transaction. The purpose of the Preferred Shares is to provide the shareholders of the Company other than OpCo shareholders with a right to receive, on a pro rata basis, an economic benefit, subject to an aggregate maximum of up to \$500,000, in the event that any of the Company's remaining mining royalties are triggered and generate revenue within a maximum period of five (5) years from the date of the issuance of the Preferred Shares. The Preferred Shares provide that, if triggered, the Preferred Shares will be redeemable, on a pro rata basis, for cash up to an aggregate maximum of \$500,000. The Preferred Shares do not otherwise have any rights or recourses.

Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. The Company is in the exploration stage and has not earned revenue from operations. As at July 31, 2020, the Company has a working capital of \$211,046 and a deficit of \$52,797,808. The Company has no income or cash inflow from operations. Continued operation of the Company is dependent on financial support through completion of equity financings, or the achievement of profitable operations in the future. Such material uncertainties cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These condensed consolidated interim financial statements do not include any adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the Company be unable to continue as a going concern and these adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the years ended October 31, 2019 and 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on September 25, 2020.

(b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis and are expressed in Canadian dollars, which is also the functional currency of the parent company.

These condensed consolidated interim financial statements have been prepared using accounting policies that are consistent with those used in the preparation of the Company's audited financial statements for the years ended October 31, 2019 and 2018.

Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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(Expressed in Canadian dollars)

3. MARKETABLE SECURITIES

Marketable securities are classified as fair value through profit or loss and are comprised of:

| | July 31, 2020 | October 31, 2019 |
|-------------------------------|------------------|---------------------|
| | \$ | \$ |
| Precipitate Gold Corp. (1)(2) | 588,432 | - |
| Albert Mining Inc. (3) | - | - |
| | 588,432 | - |

- (1) As at July 31, 2020, 1,705,600 common shares of Precipitate Gold Corp. ("Precipitate") have been included in marketable securities, within current assets. Prior to the removal of resale restrictions, in January 2020, they were included in long-term investment in the consolidated statements of financial position (Note 4).
- (2) During the three months ended July 31, 2020, the Company sold 340,000 Precipitate shares for proceeds of \$120,692.
- (3) During the nine months ended July 31, 2019, the Company sold its 250,000 shares in Albert Mining Inc. for proceeds of \$25,365 and recognized a gain on sale of marketable securities of \$16,615.

4. LONG-TERM INVESTMENT

Investment in Precipitate Gold Corp.

On January 15, 2019, further to the sale of the Company's three remaining concessions in the Dominican Republic, known as the Cabirma de Cerro, Mermejil and Arroyo properties, Everton received 7,000,000 common shares in Precipitate Gold Corp. ("Precipitate") with a fair value of \$770,000 (Note 5), based on the quoted market price of Precipitate shares on the TSX Venture Exchange at the time. The shares were classified and measured at fair value, with changes in fair value recognized in profit or loss. At no point has the Company exercised significant influence over Precipitate.

| | July 31, 2020 | October 31, 2019 |
|--|------------------|---------------------|
| | \$ | \$ |
| Precipitate Gold Corp. - 6,650,000 common shares (1) | - | 964,250 |

- (1) During the year ended October 31, 2019, the Company sold 350,000 shares in Precipitate Gold Corp. for proceeds of \$43,400.

As at October 31, 2019, with the exception of 350,000 common shares, the Company's common shares in Precipitate were subject to resale legend restrictions, expiring as follows:

- 700,000 common shares (10%) with resale legend expiring January 15, 2020
- 700,000 common shares (10%) with resale legend expiring July 15, 2020
- 1,050,000 common shares (15%) with resale legend expiring January 15, 2021
- 1,050,000 common shares (15%) with resale legend expiring July 15, 2021
- 2,800,000 common shares (40%) with resale legend expiring January 15, 2022

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In January 2020, the Company sold 4,500,000 shares in Precipitate for gross proceeds of \$225,000, to purchasers arranged by Precipitate. As additional consideration for the sale of these shares, Precipitate agreed to remove any remaining resale restrictions that were still applicable to Precipitate shares held by Everton. During the three month period ended January 31, 2020, the Company sold an additional 104,400 shares of Precipitate for gross proceeds of \$15,831.

As at July 31, 2020, all remaining common shares of Precipitate have been included in marketable securities, within current assets, due to the removal of the resale restrictions.

5. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS

| | July 31, 2020 | | October 31, 2019 | |
|---------------------------|--------------------------------------|---|--------------------------------------|---|
| | Mineral exploration properties | Exploration and evaluation assets | Mineral exploration properties | Exploration and evaluation assets |
| | \$ | \$ | \$ | \$ |
| <u>Dominican Republic</u> | | | | |
| a) Cabirma del Cerro | - | - | - | - |
| b) Arroyo Carpintero | - | - | - | - |
| | - | - | - | - |
| <u>Canada (Quebec)</u> | | | | |
| c) Opinaca | 1 | - | 1 | - |
| d) Chapais | - | - | - | - |
| | 1 | - | 1 | - |
| TOTAL | 1 | - | 1 | - |

Dominican Republic

a) Cabirma del Cerro (formerly Ampliación Pueblo Viejo, La Lechoza), Dominican Republic

In January 2019, the Company completed the sale of its three remaining mineral concessions in the Dominican Republic, known as the Cabirma de Cerro, Mermejil and Arroyo Carpintero properties, in accordance with a Mineral Property Purchase and Sale Agreement (the "Sale Agreement") with Precipitate Gold Corp. ("Precipitate"). Upon closing, Everton received \$25,000 and 7,000,000 common shares of Precipitate, with a fair value of \$770,000, based on the quoted market price of Precipitate shares on the TSX Venture Exchange at the time, for total consideration of \$795,000. The Company recognized a gain of \$279,876 on the sale of these mineral exploration properties during the 2019 fiscal year.

b) Arroyo Carpintero (formerly Ponton), Dominican Republic

See Note 5a).

Canada (Quebec)

c) Opinaca

On December 9, 2004, the Company signed an option agreement with Azimut Exploration Inc. ("Azimut") to earn a 50% undivided interest in the Opinaca property by incurring a minimum of \$2,800,000 in exploration work and making cash payments totaling \$180,000 over 5 years. The Company made the cash payments and incurred the required exploration expenditures to earn its initial 50% interest in the property.

Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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(Expressed in Canadian dollars)

On November 15, 2011 (amended on November 1, 2013), the Company and Azimut executed an option agreement with Hecla Mining Company, formerly Aurizon Mines Ltd., (“Hecla”) whereby Hecla could acquire a 50% ownership interest in the Opinaca property (leaving each of the Company and Azimut with 25%), by making total cash payments of \$580,000, \$290,000 of which was payable to Everton, and incurring exploration expenditures of \$6,000,000, including a minimum of 3,800 metres of drilling prior to November 15, 2013 and 1,200 metres of drilling prior to November 15, 2014. Hecla made the cash payments and incurred the required exploration expenditures to earn its interest in the property

During the year ended October 31, 2019, the Company wrote down the carrying value of the property to \$1 and recorded a write-down of mineral exploration properties and exploration and evaluation assets in the amount of \$3,095,636 (\$260,449 of mineral exploration property costs and \$2,835,187 of exploration and evaluation costs).

As at July 31, 2020, the Company holds a 25% interest in the property, with the remaining interest held by Azimut Exploration Inc. (25%) and Hecla Mining Company (50%). Hecla is currently the operator.

d) Chapais

On December 5, 2017, the Company entered into an option agreement with Albert Mining Inc. (“Albert Mining”) to earn up to a 75% interest in seven mining claims located in the Chapais mining district of Quebec. To earn the 75% interest, the Company was to pay \$30,000 in cash, incur exploration expenditures totaling \$370,000 over a three-year period, and issue to Albert Mining a total of 2,500,000 common shares at two separate dates during the three-year period.

During the year ended October 31, 2019, the Company terminated the option agreement with Albert Mining, wrote down the cost of the Chapais property to \$Nil and recorded a write-down of mineral exploration properties and exploration and evaluation assets in the amount of \$149,882. This was based on the Company’s decision that poor exploration results to date did not warrant further exploration on the property.

The following table reflects the changes to mineral exploration properties and exploration and evaluation assets for the period from October 31, 2018 to July 31, 2020:

| | Nine months ended July 31, 2020 | Year ended October 31, 2019 |
|---|---------------------------------------|-----------------------------------|
| | \$ | \$ |
| Balance, beginning of the year | 1 | 3,730,643 |
| Additions to mineral exploration properties | - | 30,000 |
| Sale of mineral exploration properties and exploration and evaluation assets | - | (515,124) |
| Write-down of mineral exploration properties and exploration and evaluation assets | - | (3,245,518) |
| Balance, end of the year | 1 | 1 |
| Mineral exploration properties | 1 | 1 |
| Exploration and evaluation assets | - | - |
| | 1 | 1 |

Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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(Expressed in Canadian dollars)

6. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash, marketable securities, long-term investment, accounts payable and accrued liabilities and loan payable. Marketable securities and long-term investment are carried at fair value. The fair value of the Company's other financial instruments approximates their carrying value due to their short-term nature.

The classification of financial instruments is as follows:

| | July 31, 2020 | October 31, 2019 |
|--|------------------|---------------------|
| | \$ | \$ |
| Financial assets | | |
| Amortized cost | | |
| Cash | 127,465 | 4,775 |
| Fair value through profit or loss | | |
| Marketable securities | 588,432 | - |
| Long-term investment | - | 964,250 |
| Total financial assets | 715,897 | 969,025 |
| Financial liabilities | | |
| Amortized cost | | |
| Accounts payable and accrued liabilities | (419,323) | (280,767) |
| Loan payable | (92,700) | (192,700) |
| Total financial liabilities | (512,023) | (473,467) |

Risk management

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk and market risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(i) Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash. The Company's cash is held at reputable financial institutions with high external credit ratings. It is Management's opinion that the Company is not exposed to significant credit risk.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Management considers that all the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality. There are no financial assets that are past due but not impaired for the periods presented.

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(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

(iii) Market risk

The Company holds shares in a publicly listed company in the mineral exploration industry. The Company is exposed to market risk regarding these shares as unfavorable market conditions could result in the disposal at less than their value at July 31, 2020. As at July 31, 2020, the value of these listed shares was \$588,432. At July 31, 2020, had the price for these publicly listed shares been 10% lower, the comprehensive income for the period would have been \$58,843 less. Conversely, had the price been 10% higher, the comprehensive income would have been \$58,843 greater.

Capital management

The Company manages its capital to ensure its ability to continue as a going concern in order to maintain its properties in good standing, support normal operating requirements, continue the exploration and evaluation of its mineral properties and support any expansionary plans, and to provide an adequate return to its shareholders. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets. In order to facilitate the management of its capital requirements, management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company prepares annual budgets that are updated as necessary depending on various factors including successful capital deployment and general industry conditions.

There were no significant changes to capital management policies of the Company during the nine month period ended July 31, 2020.

7. SHARE CAPITAL

Authorized

The authorized capital of the Company consists of an unlimited number of common shares without par value.

| | Number of shares | \$ |
|--|---------------------|-------------------|
| Balance, October 31, 2018, October 31, 2019 and and July 31, 2020 | 93,134,470 | 42,152,701 |

Everton Resources Inc.

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8. WARRANTS

Outstanding warrants entitle the holders thereof to subscribe to an equivalent number of common shares.

The following table reflects the continuity of warrants:

| | Number of warrants | Weighted average exercise price |
|----------------------------------|--------------------|---------------------------------|
| | | \$ |
| Balance, October 31, 2018 | 17,343,500 | 0.07 |
| Expired | (1,076,000) | 0.05 |
| Balance, October 31, 2019 | 16,267,500 | 0.07 |
| Expired | (5,235,000) | 0.07 |
| Balance, July 31, 2020 | 11,032,500 | 0.07 |

As at July 31, 2020, the following warrants were issued and outstanding:

| Number of warrants | Issue date fair value | Exercise price | Expiry date |
|--------------------|-----------------------|----------------|-------------------|
| | \$ | \$ | |
| 4,997,500 | 128,565 | 0.07 | February 6, 2021 |
| 6,035,000 | 169,104 | 0.07 | February 21, 2021 |
| 11,032,500 | 297,669 | | |

As at October 31, 2019, the following warrants were issued and outstanding:

| Number of warrants | Issue date fair value | Exercise price | Expiry date |
|--------------------|-----------------------|----------------|-------------------|
| | \$ | \$ | |
| 4,035,000 | 48,000 | 0.07 | July 14, 2020 |
| 1,200,000 | 13,000 | 0.07 | July 14, 2020 |
| 4,997,500 | 128,565 | 0.07 | February 6, 2021 |
| 6,035,000 | 169,104 | 0.07 | February 21, 2021 |
| 16,267,500 | 358,669 | | |

9. STOCK OPTIONS

Under the terms of the Company's stock option plan (the "Plan"), all options are granted with an exercise price not lower than the closing market price on the day immediately preceding the date of grant. The term of options is determined by the Board of Directors with a maximum term of 5 years. These options may be granted to the Company's employees, officers, directors, and persons providing ongoing services to the Company and are subject to regulatory approval.

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On August 21, 2017, the Company's shareholders approved an amendment to the stock option plan. Under the "rolling" 10% Stock Option Plan, the number of common shares which may be reserved under the Plan is limited to 10% of the aggregate number of common shares of the Company issued and outstanding, as the case may be.

Options are cancelled 12 months following the termination of the optionee's employment, office, directorship, or consulting arrangement. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted.

The following table reflects the continuity of stock options:

| | Number of options | Weighted average exercise price |
|----------------------------------|----------------------|---------------------------------------|
| | | \$ |
| Balance, October 31, 2018 | 4,970,000 | 0.13 |
| Expired | (1,670,000) | 0.17 |
| Balance, October 31, 2019 | 3,300,000 | 0.11 |
| Expired | (200,000) | 0.07 |
| Balance, July 31, 2020 | 3,100,000 | 0.11 |

As at July 31, 2020, the following stock options were outstanding and exercisable:

| Exercise prices | Outstanding | | Exercisable | | |
|--------------------|-----------------------|---|---|------------------|--|
| | Number outstanding | Weighted average remaining contractual life (in years) | Weighted average outstanding exercise price | Number vested | Weighted average vested exercise price |
| \$0.05 | 800,000 | 0.70 | \$0.05 | 800,000 | \$0.05 |
| \$0.13 | 2,300,000 | 1.04 | \$0.13 | 2,300,000 | \$0.13 |
| | 3,100,000 | 0.95 | 0.11 | 3,100,000 | 0.11 |

As at October 31, 2019, the following stock options were outstanding and exercisable:

| Exercise prices | Outstanding | | Exercisable | | |
|--------------------|-----------------------|---|---|------------------|--|
| | Number outstanding | Weighted average remaining contractual life (in years) | Weighted average outstanding exercise price | Number vested | Weighted average vested exercise price |
| \$0.05 | 800,000 | 1.45 | \$0.05 | 800,000 | \$0.05 |
| \$0.13 | 2,300,000 | 1.79 | \$0.13 | 2,300,000 | \$0.13 |
| \$0.07 | 200,000 | 2.32 | \$0.07 | 200,000 | \$0.07 |
| | 3,300,000 | 1.74 | 0.11 | 3,300,000 | 0.11 |

Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and nine month periods ended July 31, 2020
(Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

Related parties include the Board of Directors and key management personnel, as well as close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Unless otherwise stated, none of these transactions incorporated special terms and conditions and no guarantees were given or received.

Remuneration of directors and key management personnel of the Company was as follows:

| | Three months ended July 31, | | Nine months ended July 31, | |
|-----------------|--------------------------------|--------|-------------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| Consulting fees | 30,000 | 30,000 | 90,000 | 103,000 |
| Benefits | - | - | - | 2,016 |
| | 30,000 | 30,000 | 90,000 | 105,016 |

As at July 31, 2020, unpaid management and consulting fees in the amount of \$180,400 are owed to Management and have been included in accounts payable and accrued liabilities (\$135,400 as at October 31, 2019).

During the nine month period ended July 31, 2019, unpaid consulting fees in the amount of \$75,000 were forgiven by the Company's CEO. The amount has been recorded as forgiveness of debt to Management in the consolidated statement of operations and comprehensive income.

Loan Payable

As at July 31, 2020, the Company has a loan payable to the CEO of the Company in the amount of \$92,700 (\$192,700 as at October 31, 2019). The loan is non-interest bearing and has no specific terms of repayment.

11. ENTITY-WIDE REPORTING

As at July 31, 2020 and up to the completion of the acquisition of Molecule Inc. ("Molecule"), the Company's operations were comprised of a single reportable operating segment, being the exploration and development of mineral resources properties, based on information that is regularly reviewed by the Company's chief operating decision maker.

Subsequent to quarter end, upon completion of the acquisition of Molecule, the Company will carry on the business of Molecule, being the production and co-packing of cannabis-infused beverages .

The Company's non-current assets are all in Canada.

Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine month periods ended July 31, 2020

(Expressed in Canadian dollars)

12. SUBSEQUENT EVENTS

Completion of Reverse Takeover Transaction and Listing on the Canadian Securities Exchange (“CSE”)

See Note 1

Closing of Private Placement

In the Company’s press release dated September 10, 2020, the Company announced that the conditional approval of the CSE and the completion of the Arrangement would satisfy the primary escrow release conditions of the brokered private placement offering of subscription receipts (the “Brokered Offering”) led by Gravitas Securities Inc. (the “Agent”) previously announced on August 6, 2020, pursuant to the terms of an agency agreement dated July 29, 2020 (the “Agency Agreement”) and the concurrent non-brokered private placement offering of subscription receipts (the “Non-Brokered Offering”, together with the Brokered Offering, collectively the “Offerings”) by Molecule Inc. together with the Company. Upon the satisfaction of all related release conditions as agreed by the Company, Molecule and the Agent, each of the 1,025 subscription receipts issued pursuant to the Offerings, which were issued at a price of \$1,000 per subscription receipt, were deemed to be automatically exchanged without any additional consideration or further action on the part of the holders thereof into one convertible debenture (each a “Convertible Debenture”) of the Company.

Each Convertible Debenture is an unsecured debt obligation of the Company and consists of: (i) a principal amount of \$1,000; (ii) bears interest at the simple rate of 8% per annum, and (iii) matures on the three (3) year anniversary of the date of issuance thereof (the “Maturity Date”). Prior to the Maturity Date, and subject to exercise by the Company of an acceleration provision, all the outstanding principal and accrued interest of the Convertible Debentures may be converted into units of the Company (each a “Unit”, collectively the “Units”) at a price of \$0.20 per Unit, at the sole option of the respective holder of the Convertible Debenture (the “Option”). Unless the Option is exercised prior to the Maturity Date, the Company will subsequently make a cash payment to the holders of the Convertible Debentures to settle the outstanding principal and accrued interest of each respective Convertible Debenture. The securities issued in the Offerings are subject to a hold period of 4 months and 1 day from the date of issuance of the Subscription Receipts.

The Units are comprised of: (i) one (1) Common Share and (ii) one-half (1/2) of one Common Share purchase warrant (each whole Common Share purchase warrant, being a “Warrant”). Each Warrant is exercisable to purchase one Common Share at an exercise price of \$0.30 per Common Share until the three (3) year anniversary of the date of issuance of the Convertible Debentures.

The Agent also provided fiscal advisory services pursuant to the terms of a fiscal advisory agreement (the “Fiscal Advisory Agreement”) with respect to the Non-Brokered Offering. Pursuant to the Agency Agreement and the Fiscal Advisory Agreement, Molecule issued an aggregate of 376,000 Agent’s options (the “Agent’s Options”), 34,000 advisor’s options (the “Advisor’s Options”) and 40 convertible debentures (the “Compensation Debentures”, together with the Agent’s Options and the Advisor’s Options collectively the “Compensation Securities”). Each Compensation Debenture has the same terms as the Convertible Debentures and each Agent’s Option and each Advisor’s Option may be exercised for one Unit at price of \$0.20 per Unit until the three (3) year anniversary of the date of issuance thereof.

Granting of Stock Options

On September 15, 2020, 750,000 stock options were granted to directors of the Company at an exercise price of \$0.20 per share, which all vested immediately and expire on September 15, 2021.