

MOLECULE INC.

Condensed Consolidated Interim Financial Statements

For the three and nine months ended July 31, 2020

(Expressed in Canadian Dollars)

(Unaudited)

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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.

Molecule Inc.		
Condensed Consolidated Interim Statements of Financial Position (Unaudited)		
<i>(Expressed in Canadian dollars)</i>		
As at	July 31, 2020	October 31, 2019
	\$	\$
ASSETS		
Current assets		
Cash	607,981	2,288,191
Sales taxes receivable	35,666	305,610
Inventory (Note 3)	145,352	-
Other receivables	-	2,874
Prepaid expenses	31,116	76,675
	820,115	2,673,350
Deposits (Note 4)	115,202	307,079
Capital assets (Note 4)	3,451,275	2,070,099
Total assets	4,386,592	5,050,528
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	742,546	516,949
Current portion of lease liability (Note 6)	41,196	36,730
	783,742	553,679
Lease liability (Note 6)	147,051	178,649
Other long-term liabilities	40,000	-
Total liabilities	970,793	732,328
EQUITY		
Share capital (Note 7)	5,441,972	5,251,972
Contributed surplus (Notes 8 & 9)	245,331	157,475
Deficit	(2,271,504)	(1,091,247)
Total equity	3,415,799	4,318,200
Total liabilities and equity	4,386,592	5,050,528
On behalf of the Board		
<u>(signed) "Andre Audet"</u>	<u>(signed) "Phil Waddington"</u>	
Andre Audet, Director	Phil Waddington, Director	

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

Molecule Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (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	84,305	118,705	398,707	237,871
Salaries and benefits	78,989	81,209	261,910	138,231
Travel and promotion	31,998	-	46,186	-
Professional fees	91,120	63,564	254,692	188,846
Office		12,535	81,184	27,565
Depreciation of capital assets (Note 4)	11,994	15,991	35,982	15,991
Interest on lease liability	5,685	9,031	17,868	9,031
Stock-based compensation (Notes 8 & 9)	61,956	126,277	187,856	126,277
Government assistance	-	-	(96,932)	-
Loss before other items	(366,047)	(427,312)	(1,187,453)	(743,812)
Other income				
Interest income	-	9,989	7,196	9,989
Net loss and total comprehensive loss	(366,047)	(417,323)	(1,180,257)	(733,823)
Basic and diluted net loss per common share	(0.005)	(0.013)	(0.016)	(0.019)
Basic and diluted weighted average number of common shares outstanding	74,553,261	31,814,831	74,145,985	37,771,136

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

Molecule Inc.

Condensed Consolidated Interim Statements of Changes in Equity (Unaudited)

(in Canadian dollars)

	Share Capital	Contributed Surplus		Deficit	Total
	# of shares	\$	\$	\$	\$
Balance, October 31, 2018	100	1	-	-	1
Shares issued for cash (Note 7)	55,995,433	4,439,772	-	-	4,439,772
Shares issued for debt (Note 7)	6,504,567	110,228	-	-	110,228
Shares issued to acquire Burrard Bay Capital Corp (Note 7)	10,000,000	1,000,000	-	-	1,000,000
Share issuance costs	-	(328,029)	-	-	(328,029)
Stock-based compensation	-	-	126,277	-	126,277
Net loss and total comprehensive loss	-	-	-	(733,823)	(733,823)
Balance, July 31, 2019	72,500,100	5,221,972	126,277	(733,823)	4,614,426
Shares issued for services (Note 7)	300,000	30,000	-	-	30,000
Stock-based compensation	-	-	31,198	-	31,198
Net loss and total comprehensive loss	-	-	-	(357,424)	(357,424)
Balance, October 31, 2019	72,800,100	5,251,972	157,475	(1,091,247)	4,318,200
Shares issued for services (Note 7)	900,000	90,000	-	-	90,000
Stock-based compensation (Notes 8 & 9)	1,000,000	100,000	87,856	-	187,856
Net loss and total comprehensive loss	-	-	-	(1,180,257)	(1,180,257)
Balance, July 31, 2020	74,700,100	5,441,972	245,331	(2,271,504)	3,415,799

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

Molecule Inc.			
Condensed Consolidated Interim Statements of Cash Flows (Unaudited)			
<i>(Expressed in Canadian dollars)</i>			
		Nine months ended July 31,	
		2020	2019
		\$	\$
OPERATING ACTIVITIES			
Net loss		(1,180,257)	(733,823)
Adjustments for:			
Stock-based compensation		187,856	126,277
Depreciation of capital assets		35,982	15,991
Interest on lease liability		17,868	9,031
Interest income		(7,196)	(9,989)
Changes in non-cash working capital items		528,622	258,794
Net cash flows from operating activities		(417,125)	(333,719)
INVESTING ACTIVITIES			
Interest received		7,196	4,806
Deposit		191,877	(267,000)
Investment in capital assets		(1,417,158)	(186,776)
Net cash flows from investing activities		(1,218,085)	(448,970)
FINANCING ACTIVITIES			
Shares issued for cash		-	5,439,772
Share issuance costs		-	(328,029)
Lease payments		(45,000)	-
Net cash flows from financing activities		(45,000)	5,111,743
(Decrease) Increase in cash		(1,680,210)	4,329,054
Cash, beginning of the period		2,288,191	-
Cash, end of the period		607,981	4,329,054
Changes in non-cash working capital items consists of the following:			
Sales taxes receivable		269,944	(80,630)
Inventory		(145,352)	-
Other receivables		2,874	-
Prepaid expenses		45,559	45,023
Accounts payable and accrued liabilities		315,597	276,601
Other current liabilities		-	17,800
Other long-term liabilities		40,000	-
		528,622	258,794
Supplemental information:			
Shares issued for debt and services (Note 7)		90,000	110,228

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

Molecule 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

Molecule Inc. (the "Company" or "Molecule") was incorporated on September 28, 2018 under the Business Corporations Act (Ontario).

On February 28, 2020, Molecule was issued a Standard Processing Licence by Health Canada (the "Licence") in accordance with the Cannabis Act and Cannabis Regulations. The Licence authorizes Molecule to: possess cannabis; produce cannabis, other than obtaining it by cultivating, propagating or harvesting it; and to sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations and in accordance with the conditions of the Licence.

The Company will engage in the production and co-packing of cannabis-infused beverages by providing the infrastructure, knowhow, technology and licence for craft beverage producers to create cannabis beverages. The address of the Company's corporate office is 591 Reynolds Road, Lansdowne, Ontario K0E 1L0.

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

Subsequent to quarter end, on September 16, 2020, Everton Resources Inc., now Molecule Holdings Inc. ("Molecule Holdings" or "Everton"), completed the previously announced reverse takeover transaction (the "Transaction"), pursuant to which it acquired all of the issued and outstanding common shares (the "Molecule Shares") of Molecule Inc. ("Molecule"). Molecule Holdings will carry on the business of Molecule, which is now a wholly owned subsidiary of Molecule Holdings, 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), Everton changed its name to "Molecule Holdings Inc." (the "Name Change") and consolidated its common shares, 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

Molecule Holdings 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

Everton and Molecule 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 Everton acquired all of the issued and outstanding Molecule 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 Molecule. An additional 1,215,500 Common Shares (the "Debt Shares") were issued to a director of Everton as well as President and CEO as contemplated in the Arrangement Agreement, as settlement of debt. With the completion of the Transaction, Molecule Holdings had 85,229,047 Common Shares issued and outstanding on the Listing Date (on an undiluted basis). The Debt Shares are subject to a statutory 4 month hold period from the date of issuance.

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. As at July 31, 2020, the Company had not yet generated any

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revenue from operations. The Company has no income or cash inflow from operations. Continued operation of the Company is dependent on achieving commercial operations, which requires continued financial support through equity and/or debt financings, or the achievement of profitable operations in the future. 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 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.

COVID-19 Outbreak

Since the emergence in or about December 2019 of a novel strain of coronavirus (“COVID-19”), the highly contagious virus has spread across the world. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Since that time in response to the outbreak, governmental authorities in Canada and internationally have implemented various measures with the aim of preventing or limiting further spread of COVID-19. These measures, which have included travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, and social distancing, have, among other things, resulted in widespread business, employment and economic disruptions. The global pandemic continues to rapidly evolve and the ultimate impact of the COVID-19 outbreak is highly uncertain.

The continued global spread of COVID-19 could have an adverse impact on the business, operations and financial results of the Company, including with respect to issues related to labour, processing and supply chain. Molecule has not yet begun production but is implementing or will implement precautionary measures, which would not have otherwise been implemented prior to the COVID-19 outbreak, at its facility to ensure the safety of its personnel, suppliers and consumers, which may adversely impact Molecule’s labour productivity and its supply chains. For example, mandatory or voluntary self-quarantines may limit the staffing of Molecule’s facility. In addition, it’s possible that the COVID-19 pandemic may adversely affect Molecule’s ability to successfully market and sell its products. Although the opposite may be true, sales volumes of cannabis-infused products may be adversely impacted by consumer “social distancing” behaviours. Continued spread of COVID-19 globally could also lead to a deterioration of general economic conditions including a possible national or global recession. Due to the unpredictability and scale of the effects of COVID-19, Molecule is unable to accurately estimate the impact or level of materiality of COVID-19 on its business, operations or financial results. Molecule will monitor the situation in order to assess any possible adverse impact on its business, supply chain and customers on an ongoing basis and to determine which measures, if any, will be taken to mitigate such adverse impact.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed consolidated interim financial statements, including comparatives, 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.

Molecule Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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(Expressed in Canadian dollars)

(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. However, the Company has adopted new accounting policies for inventory and restricted share units, which have been included in Note 2(c) and Note 2(d), respectively.

(c) Inventory

Inventory is stated at the lower of cost and net realizable value. Cost includes all expenses directly attributable to the production process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of raw materials are assigned using the average cost formula. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(d) Restricted share units ("RSU")

Under the Company's RSU plan, selected employees and consultants are granted RSUs where each RSU has a value equal to one Molecule common share. RSUs are measured at fair value on the grant date. The fair value of RSUs are recognized as a charge to stock-based compensation over the vesting period with a corresponding increase in equity.

3. INVENTORY

Inventory consists of the following:

	July 31, 2020	October 31, 2019
	\$	\$
Raw materials	145,352	-
Finished goods	-	-
Total inventory	145,352	-

Molecule Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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(Expressed in Canadian dollars)

4. CAPITAL ASSETS

	Right of use asset (1)	Leasehold improvements (2)	Equipment (3)	Total
	\$	\$	\$	\$
Cost				
Balance, October 31, 2019	239,865	1,082,628	775,592	2,098,085
Additions	-	527,969	889,189	1,417,158
Cost, July 31, 2020	239,865	1,610,597	1,664,781	3,515,243
Accumulated depreciation				
Balance, October 31, 2019	27,986	-	-	27,986
Depreciation	35,982	-	-	35,982
Accumulated depreciation, July 31, 2020	63,968	-	-	63,968
Net Book Value, July 31, 2020	175,897	1,610,597	1,664,781	3,451,275

- (1) Effective April 1, 2019, the Company entered into a lease for a parcel of land and building for an initial term of five years, for which a right-of-use asset was recognized in the amount of \$239,865 (Note 6).
- (2) During the nine month period ended July 31, 2020, the Company incurred expenditures of \$527,969 in leasehold improvements on its facility in Lansdowne, Ontario. The Company has yet to record any depreciation on the leasehold improvements as the facility is not yet ready for use. As at October 31, 2019, all leasehold improvements were included in construction in progress.
- (3) During the nine month period ended July 31, 2020, the Company purchased equipment in the amount of \$889,189, to be used in the production of cannabis-infused beverages. The Company has yet to record any depreciation on the equipment as it is not yet ready for use.

	Right of use asset	Construction in progress (4)	Equipment (5)	Total
	\$	\$	\$	\$
Cost				
Balance, October 31, 2018	-	-	-	-
Additions	239,865	1,082,628	775,592	2,098,085
Cost, October 31, 2019	239,865	1,082,628	775,592	2,098,085
Accumulated depreciation				
Balance, October 31, 2018	-	-	-	-
Depreciation	27,986	-	-	27,986
Accumulated depreciation, October 31, 2019	27,986	-	-	27,986
Net Book Value, October 31, 2019	211,879	1,082,628	775,592	2,070,099

- (4) During the year ended October 31, 2019, the Company incurred expenditures of \$1,082,628 in leasehold improvements on its facility in Lansdowne, Ontario.
- (5) During the year ended October 31, 2019, the Company purchased equipment in the amount of \$775,592, to be used in the production of cannabis-infused beverages.

Molecule 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)

As at July 31, 2020, the Company had paid deposits totaling \$115,202 for equipment to be used in the production of cannabis-infused beverages (\$307,079 as at October 31, 2019). The equipment is still on order and therefore has been included in deposit in the consolidated statements of financial position.

5. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash, other receivables, accounts payable and accrued liabilities, other current liabilities and other long-term liabilities. The fair value of the Company's 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	607,981	2,288,191
Other receivables	-	2,874
Total financial assets	607,981	2,291,065
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	(742,546)	(516,949)
Other long-term liabilities	(40,000)	-
Total financial liabilities	(782,546)	(516,949)

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 and liquidity 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.

Molecule 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)

(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. The Company's accounts payable and other liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares through equity offerings or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. There have been no changes to the Company's capital management approach during the nine month period ended July 31, 2020.

6. LEASE LIABILITY

	\$
Balance, October 31, 2018	-
Addition (1)	239,865
Interest expense	15,514
Lease payments	(40,000)
Balance, October 31, 2019	215,379
Interest expense	17,868
Lease payments	(45,000)
Balance, July 31, 2020	188,247
Current	41,196
Long-term	147,051

- (1) Effective April 1, 2019, the Company entered into a lease with Thousand Island Farms Inc., a company owned by the CEO/Director of Molecule, for a parcel of land and a building. The lease has an initial five year term which expires, unless extended, in April 2024. For and during the first and second year of the lease, the base rent is \$60,000, payable in equal monthly instalments of \$5,000. For and during the third and fourth year of the lease, the base rent is \$63,000, payable in equal monthly instalments of \$5,250. For and during the fifth year of the lease, the base rent is \$66,150, payable in equal monthly instalments of \$5,513. Provided that the Company is not in default in the performance of any term of the lease, Molecule has the irrevocable option to purchase, during the lease term, the premises and land for a purchase price equal to \$875,000 if exercised in the first year of the lease, subject to increases in each year of the lease based on the annual Consumer Price Index percentage. The Company was charged an amount of \$5,000 during the year ended October 31, 2019 in consideration for the grant of the purchase option, which is non-refundable.

Molecule Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
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7. SHARE CAPITAL

Authorized

An unlimited number of the following shares:

Class "A" common shares - voting common shares, no par value

Class "B" common shares – voting common shares, no par value

Issued

Class "A" common shares

	Number of shares	\$
Balance, October 31, 2018	100	1
Shares issued for cash (1)(2)(3)	55,995,433	4,439,772
Shares issued for debt (4)	6,504,567	110,228
Shares issued to acquire Burrard Bay Capital Corp (5)	10,000,000	1,000,000
Shares issued for services (6)	300,000	30,000
Share issuance costs	-	(328,029)
Balance, October 31, 2019	72,800,100	5,251,972
Shares issued for services (7)	900,000	90,000
Stock-based compensation (8)	1,000,000	100,000
Balance, July 31, 2020	74,700,100	5,441,972

- (1) On November 30, 2018, the Company closed a private placement for gross proceeds of \$25,000. The private placement was comprised of 5,000,000 shares at a price of \$0.005 per share. A Director of the Company participated in the private placement for a total amount of \$15,000.
- (2) In December 2018, the Company closed a private placement for gross proceeds of \$684,772. The private placement was comprised of 13,695,433 shares at a price of \$0.05 per share. A Director of the Company participated in the private placement for an amount of \$34,772.
- (3) In March/April 2019, the Company closed a private placement for gross proceeds of \$3,730,000. The private placement was comprised of 37,300,000 shares at a price of \$0.10 per share. A Director of the Company participated in the private placement for an amount of \$50,000.
- (4) Under shares for debt agreements, the Company issued 5,000,000 shares on November 30, 2018 in settlement of \$25,000 in debt, 1,304,567 shares in December 2018 in settlement of \$65,228 in debt and 200,000 shares in April 2019 in settlement of \$20,000 in debt. In total, the Company issued 6,504,567 shares in settlement of \$110,228 in debt. Officers and Directors received a total of 5,304,567 shares in settlement of \$85,228 in debt.
- (5) On June 13, 2019, the Company acquired all of the issued and outstanding shares of Burrard Bay Capital Corp. ("Burrard Bay") by issuing 10,000,000 common shares at a deemed price of \$0.10 per share. At the date of acquisition, Burrard Bay, a Canadian holding company, held cash in the amount of \$1,000,000 and had no other assets or liabilities. Given that the economic substance of the transaction was that of a financing, with the Company effectively issuing common shares for cash, it has been recorded as such for accounting purposes, with direct costs recorded as a reduction of share capital.

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- (6) On September 15, 2019, the Company issued 300,000 common shares to a consultant at a price per share of \$0.10, for advisory services rendered to the Company.
- (7) On December 15, 2019, March 15, 2020 and June 15, 2020, the Company issued 300,000 common shares, respectively, to a consultant at a price per share of \$0.10, for advisory services rendered to the Company.
- (8) On December 1, 2019, the Company issued 1,000,000 common shares to the Company's Chief Regulatory Officer, in accordance with his terms of employment. An amount of \$100,000 has been included within stock-based compensation in the consolidated statements of loss and comprehensive loss.

8. STOCK OPTIONS

On June 15, 2019, the Company adopted an incentive stock option plan (the "Option Plan"). The purpose of the Option Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified directors, officers, employees and consultants and to reward them for their contributions toward creating shareholder value through the achievement of the short and long-term goals of the Company.

The following table reflects the continuity of stock options:

	Number of options	Weighted average exercise price \$
Balance, October 31, 2018	-	-
Granted (1)(2)	2,500,000	0.10
Balance, October 31, 2019 and July 31, 2020	2,500,000	0.10

- (1) On July 2, 2019, 1,000,000 stock options were granted to a consultant of the Company at an exercise price of \$0.10 per share, which vest evenly over a twelve month period and expire five years following the date upon which the Company's (or its affiliate's) common shares are listed for trading on a nationally recognized stock exchange in Canada.
- (2) On July 12, 2019, 1,500,000 stock options were granted to directors, officers and employees of the Company at an exercise price of \$0.10 per share, which all vested immediately and expire on July 12, 2024.

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

Exercise prices	Number outstanding	Outstanding		Exercisable	
		Weighted average remaining contractual life (in years)	Weighted average outstanding exercise price	Number vested	Weighted average vested exercise price
\$0.10	2,500,000	4.37	0.10	2,500,000	0.10

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

Exercise prices	Number outstanding	Outstanding		Exercisable	
		Weighted average remaining contractual life (in years)	Weighted average outstanding exercise price	Number vested	Weighted average vested exercise price
\$0.10	2,500,000	4.82	0.10	1,750,000	0.10

The following table reflects the weighted-average fair value of stock options for the periods presented and the related Black-Scholes option pricing model inputs that were used in the calculations:

	Nine months ended July 31, 2020	Year ended October 31, 2019
Stock options granted	-	2,500,000
Weighted average fair value	-	0.10
Weighted-average exercise price	-	0.10
Weighted-average market price at date of grant	-	0.10
Expected life of stock options (years)	-	5.00
Expected stock price volatility	-	100%
Risk-free interest rate	-	1.46%
Expected dividend yield	-	0%

The underlying expected stock price volatility is based on historical data of similar companies, as the Company has limited historical data itself on which it could be based.

The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the options.

In total, \$29,008 of stock-based payments (all of which relate to equity-settled stock-based payment transactions) were included in profit or loss for nine month period ended July 31, 2020 and credited to contributed surplus.

Molecule Inc.

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

(Expressed in Canadian dollars)

9. RESTRICTED SHARE UNITS

On June 1, 2020, the Company adopted a Restricted Share Unit (“RSU”) plan (the “RSU Plan”). The purpose of the RSU Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified directors, officers, employees and consultants and to reward them for their contributions toward creating shareholder value through the achievement of the short and long-term goals of the Company.

On June 1, 2020, 1,706,667 RSUs were granted to officers, employees and certain consultants of the Company, of which 1,540,000 vest quarterly over a twelve month period and 166,667 vest on the date that is one day following the date upon which the common shares of the Resulting Issuer begin trading on the Canadian Securities Exchange (or any other recognized stock exchange in Canada). Upon vesting, the RSU holder shall be entitled to receive payment from the Company in settlement of such vested RSUs, in a number of shares, issued from treasury, equal to the number of RSUs being settled.

In total, \$58,848 of stock-based payments (all of which relate to equity-settled stock-based payment transactions) were included in profit or loss for nine month period ended July 31, 2020 and credited to contributed surplus.

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
	\$	\$	\$	\$
Salaries	20,000	15,000	80,000	25,000
Consulting fees	35,000	30,000	105,000	55,000
Stock-based compensation	26,670	67,134	126,670	67,134
	81,670	112,134	311,670	147,134

(1) As at July 31, 2020, unpaid consulting fees in the amount of \$20,000 are owed to management and have been included in accounts payable and accrued liabilities (\$5,000 as at October 31, 2019). These amounts are unsecured, non-interest bearing and due on demand.

See Notes 6, 7 and 8 for additional related party disclosure.

11. COMMITMENTS

Advisory Agreement

Effective June 15, 2019, the Company entered into an advisory agreement with a financial services company (the “Consultant”). Under the agreement, the Consultant served as a strategic advisor to assist the Company in developing a current and ongoing acquisition and capital markets strategy. In consideration for the advisory

Molecule Inc.

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services, the Company paid the Consultant a monthly retainer in the amount of \$10,000, which was payable in common shares of Molecule on a quarterly basis. The common shares were valued at \$0.10 per share. The agreement was for a term of twelve months, which ended on June 15, 2020.

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 the Company together with Everton Resources Inc., now Molecule Holdings Inc. (“Molecule Holdings” or “Everton”). Upon the satisfaction of all related release conditions as agreed by the Company, Molecule Holdings 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 Molecule Holdings.

Each Convertible Debenture is an unsecured debt obligation of Molecule Holdings 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 Molecule Holdings of an acceleration provision, all the outstanding principal and accrued interest of the Convertible Debentures may be converted into units of Molecule Holdings (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, Molecule Holdings 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 Restricted Share Units

On September 9, 2020, 750,000 Restricted Share Units were granted to certain consultants of the Company, which vest quarterly over a twelve month period.