MOLECULE INC.

Management's Discussion and Analysis

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

This Management's Discussion and Analysis ("MD&A") for Molecule Inc. (the "Company" or "Molecule") should be read in conjunction with the condensed consolidated interim financial statements for the three and nine month periods ended July 31, 2020 and the consolidated financial statements for year ended October 31, 2019 and the notes thereto.

The financial information in this MD&A is derived from the Company's condensed consolidated interim financial statements for the three and nine month periods ended July 31, 2020, which were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). The effective date of this MD&A is September 25, 2020.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain information contained in this document may contain "forward-looking statements". Forward-looking statements may include, among others, statements regarding the Company's future plans, costs, objectives, economic performance, or the assumptions underlying any of the foregoing. In this document, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate" and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether such future performance will be achieved. Forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events and are subject to known or unknown risks, uncertainties and other unpredictable factors, many of which are beyond the Company's control. These risks and uncertainties include, but are not limited to, those described under the headings "Risk Management and Capital Management" and "Inherent Risk Factors" in this MD&A and could cause actual events or results to differ materially from those projected in any forward-looking statements. The Company does not intend, nor does it undertake any obligation, to update or revise any forward-looking statements contained in this MD&A to reflect subsequent information, events or circumstances or otherwise, except if required by applicable law.

BUSINESS OVERVIEW

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.

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

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.

CORPORATE DEVELOPMENT HIGHLIGHTS

CLOSING OF PRIVATE PLACEMENTS & OTHER FINANCING

On September 28, 2018, on incorporation of the Company, 100 class B common shares were issued for total consideration of $1. These are the only class B common shares to have been issued. They are identical in all respects to the class A common shares.

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.

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.

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.

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.

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.

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.

STANDARD PROCESSING LICENCE

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.

LEASE OF LAND & BUILDING IN THE THOUSAND ISLANDS' REGION OF EASTERN ONTARIO

Effective April 1, 2019, the Company entered into a lease with Thousand Island Farms Inc., a company owned by Andre Audet, the CEO of Molecule, for a parcel of land and a building located in the Thousand Islands' region of Eastern Ontario. 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 paid an amount of $5,000 in consideration for the grant of the purchase option, which is non-refundable.

GRANTING OF STOCK OPTIONS

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 vested evenly over a twelve month period and expire on September 17, 2025.

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.

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 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 agreement was for a term of twelve months.

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 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 agreement was for a term of twelve months, which ended on June 15, 2020.

Pursuant to the advisory agreement, the Company issued 300,000 common shares on each of September 15, 2019, December 15, 2019, March 15, 2020 and June 15, 2020, at a deemed price of $0.10 per share.

SHARES ISSUED IN ACCORDANCE WITH EMPLOYMENT AGREEMENT

On December 1, 2019, the Company issued 1,000,000 common shares, at a deemed value of $0.10 per share, to the Company's Chief Regulatory Officer, in accordance with his terms of employment.

ADOPTION OF RESTRICTED SHARE UNIT PLAN AND GRANTING OF 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 vested upon the date that the Resulting Issuer began trading on the Canadian Securities Exchange. 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.

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

SELECTED FINANCIAL INFORMATION

The following selected financial information is derived from the Company's condensed consolidated interim financial statements for the three and nine month periods ended July 31, 2020, which were prepared in accordance with IFRS:

	Three months ended July 31,		Nine months ended July 31,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Net loss	**(366,047)**	(417,323)	**(1,180,257)**	(733,823)
Comprehensive loss	**(366,047)**	(417,323)	**(1,180,257)**	(733,823)
Basic and diluted loss per common share	**(0.005)**	(0.013)	**(0.016)**	(0.019)

	July 31,	October 31,
As at	**2020**	2019
	$	$
Cash	**607,981**	2,288,191
Sales taxes receivable	**35,666**	305,610
Capital assets	**3,451,275**	2,070,099
Total assets	**4,386,592**	5,050,528
Total liabilities	**970,793**	732,328

PAYMENT OF DIVIDENDS

The Company's current policy is to retain earnings to finance the development of its business. Therefore, the Company does not anticipate paying cash dividends on the Common Shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board of Directors in the context of its earnings, financial condition and other relevant factors. Until the time that the Company does pay dividends, which it may never do, shareholders will not be able to receive a return on their Common Shares unless they sell them.

RESULTS OF OPERATIONS

During the three and nine month periods ended July 31, 2020, the Company recorded a net loss and total comprehensive loss of $366,047 and $1,180,257, respectively, as compared to a net loss and total comprehensive loss of $417,323 and $733,823, respectively, during the three and nine month periods ended July 31, 2019, a decrease of $51,276 and increase of $446,434, respectively. The variances were primarily attributable to the following items: (i) management and consulting fees (ii) salaries and benefits, (iii) professional fees, (iv) stock-based compensation and (v) government assistance, as further described below:

(i) During the three and nine month periods ended July 31, 2020, the Company recorded management and consulting fees of $84,305 and $398,707, respectively, as compared to $118,705 and $237,871 during the three and nine month periods ended July 31, 2019, a decrease of $34,400 and increase of $160,836, respectively. The decrease during the three months ended July 31, 2020, as compared to the same period in 2019, is mainly due to a reduction in fees paid to management and certain consultants whereas the increase during the nine months ended July 31, 2020 is due to an increase in the Company's activities, which required additional personnel, including consultants providing services in a number of areas, including but not limited to corporate advisory, logistics, marketing and general administration.

(ii) During the three and nine month periods ended July 31, 2020, the Company recorded salaries and benefits of $78,989 and $261,910, respectively, as compared to $81,209 and $138,231 during the three and nine month periods ended July 31, 2019, a decrease of $2,220 and increase of $123,679, respectively. The increase during the nine months ended July 31, 2020 is due to an increase in the Company's activities, which required additional personnel.

(iii) During the three and nine month periods ended July 31, 2020, the Company incurred professional fees of $91,120 and $254,692, respectively, as compared to $63,564 and $188,846 during the three and nine month periods ended July 31, 2019, an increase of $27,556 and $65,846, respectively. The increase is primarily due to legal fees incurred in connection with the Plan of Arrangement with Everton Resources Inc, included the Company's annual general and special meeting of shareholders, held in April 2020, at which shareholders voted to approve the Plan of Arrangement.

(iv) During the three and nine month periods ended July 31, 2020, the Company recognized stock-based compensation of $61,956 and $187,856, respectively, as compared to $126,277 and $126,277 during the three and nine month periods ended July 31, 2019, a decrease of $64,321 and increase of $61,579, respectively. The decrease during the three months ended July 31, 2020, as compared to the same period in 2019, is due to the fact that stock-based compensation in 2020, in the form of an RSU grant, provided for vesting over a twelve month period whereas stock-based compensation in 2019, in the form of a stock option grant, provided for immediate vesting. The increase during the nine months ended July 31, 2020 is due primarily to the 1,000,000 common shares issued to the Company's Chief Regulatory Officer on December 1, 2019, in accordance with his terms of employment and the vesting of RSUs under a newly adopted RSU plan, which did not exist in 2019.

(v) During the three and nine month periods ended July 31, 2020, the Company recognized government assistance in the amount of $Nil and $96,932, respectively, as compared to $Nil and $Nil during the three and nine month periods ended July 31, 2019. The government assistance relates to investment tax credits recognized in connection with the government's Scientific Research and Experimental Development program (SR&ED).

SUMMARY OF QUARTERLY RESULTS

The following information has been derived from the seven most recently completed quarters, since the incorporation of the Company on September 28, 2018, all presented in accordance with IFRS:

For the three months ended	**July 31, 2020**	**April 30, 2020**	**January 31, 2020**	**October 31, 2019**
	$	**$**	**$**	**$**
Net loss	(366,047)	(317,917)	(496,293)	(357,424)
Comprehensive loss	(366,047)	(317,917)	(496,293)	(357,424)
Basic and diluted loss per common share	(0.005)	(0.004)	(0.007)	(0.005)

	July 31,	April 30,	January 31,
For the three months ended	**2019**	**2019**	**2019**
	$	**$**	**$**
Net loss	(417,323)	(140,992)	(175,508)
Comprehensive loss	(417,323)	(140,992)	(175,508)
Basic and diluted loss per common share	(0.006)	(0.004)	(0.013)

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity depends on existing cash reserves, supplemented as necessary by equity and/or debt financings. As at July 31, 2020, the Company had a working capital of $36,373, including cash of $607,981 and current liabilities of $783,742.

During the nine month period ended July 31, 2020, the Company used cash of $417,125 to fund operating activities.

As the Company's focus has been primarily on the retrofitting of its facility in the Thousand Islands region of Eastern Ontario and on obtaining its licence from Health Canada, it has not generated any operating revenue and has relied exclusively on equity and/or debt financings. The Company may require additional equity and/or debt financing to fund its ongoing operations until it can achieve profitable operations.

OFF-BALANCE SHEET ARRANGEMENTS

As at July 31, 2020 and as of the date of this MD&A, the Company does not have any off-balance sheet arrangements.

PROPOSED TRANSACTIONS

As at the date of this MD&A, there are no proposed asset or business acquisitions or dispositions.

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

During the three and nine month periods ended July 31, 2020, consulting fees of $15,000 and $45,000 were paid/payable to Andre Audet, the Company's CEO, for services rendered as CEO of the Company (2019 - $15,000 and $25,000). During the three and nine month periods ended July 31, 2020, Mr. Audet also received $6,670 and $6,670 in stock- based compensation (2019 - $22,378 and $22,378).

During the three and nine month periods ended July 31, 2020, salary of $20,000 and $80,000 was paid/payable to Phil Waddington, the Company's Chief Regulatory Officer ("CRO"), for services rendered as CRO of the Company (2019 - $15,000 and $25,000). During the three and nine month periods ended July 31, 2020, Mr. Waddington also received $6,670 and $106,670 in stock- based compensation (2019 - $22,378 and $22,378). During the three and nine months ended July 31, 2019, Mr. Waddington also received consulting fees of $5,000.

During the three and nine month periods ended July 31, 2020, consulting fees of $20,000 and $60,000 were paid/payable to Brendan Stutt, the Company's CFO, for services rendered as CFO of the Company. (2019 - $15,000 and $25,000). Mr. Stutt also received $13,330 and $13,330 in stock- based compensation (2019 - $22,378 and $22,378).

FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash, other receivables, accounts payable and accrued 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.

(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 months ended July 31, 2020.

CHANGE IN ACCOUNTING POLICIES

The Company has not had any changes in accounting policies, other than the adoption of new mandatory standards under IFRS as well as amendments to existing standards, for the nine months ended July 31, 2020.

INHERENT RISK FACTORS

You should carefully consider the following risks and uncertainties in addition to other information in this MD&A in evaluating Molecule and its business before making any investment decision. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that it currently deems immaterial, may also impair its operations. If any such risks actually occur, the business, financial condition, liquidity and results of the Company's operations could be materially adversely affected. The risk factors described below should be carefully considered by readers, including investors considering a purchase of securities of the Company.

An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment.

The Company's business requires compliance with regulatory or agency proceedings, investigations and audits

The Company's business requires compliance with many laws and regulations, specifically Canadian cannabis laws that are still in the early stages and subject to unexpected changes. Failure to comply with these laws and regulations could subject the Company or the businesses in which it invests to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operation.

Licensing requirements for cannabis companies in Canada

The market for cannabis and cannabis derivative products in Canada is regulated by the *Cannabis Act* and *Cannabis Regulations*. Health Canada is the primary regulator of the cannabis industry as a whole. There is no guarantee that the Company will obtain all the necessary licences or approvals required for its business. In addition, failure to comply with the requirements of any licence or any failure to maintain such licence would have a material adverse impact on the business, financial condition and operating results of the Company.

There is no assurance that the Company will turn a profit or generate immediate revenues

The Company has no history of earnings or cash flow from operations and the Company may not generate material revenue or achieve self-sustaining operations for several years, if at all. There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company anticipates that it will incur substantial expenses relating to the development and initial operations of its investments and business. The payment and amount of any future dividends will depend upon, among other things, the Company's results of investments, operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

Requirements for Further Financing and Dilution

The Company may not have sufficient financial resources to undertake all of the activities as currently planned. The Company may need to obtain further financing, whether through debt financing, equity financing or other means. To obtain such funds the Company may sell additional securities, the effect of which could result in substantial dilution of the equity interests of the holders of the Company Shares. There can be no assurance that the Company will be able to raise the balance of the financing required or that such financing can be obtained without substantial dilution to shareholders or that the terms of such financing will be favourable. Failure to obtain additional financing on a timely basis could cause the Company to reduce or terminate its operations.

The Company has a limited operating history

The Company will not have a record of achievement to be relied upon. The Company's operations are subject to all the risks inherent in the establishment of a new business enterprise, including a lack of operating history. The Company cannot be certain that its investment strategy or development of the Company's business will be successful. The likelihood of the Company's success must be assessed in consideration of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. If the Company fails to address any of those risks or difficulties adequately, the business will likely suffer.

The Company may be vulnerable to unfavorable publicity or consumer perception

Cannabis and cannabis derivatives industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise hindering market growth and state adoption due to inconsistent public opinion and perception of the medical-use and adult-use cannabis industry.

The cannabis industry is subject to increasing competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than the Company. Because of the early stage of the industry in which the Company will operate, the Company will face additional competition from new entrants. If the number of users of marijuana products in Canada increases, the demand for products will increase and competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results, financial condition or prospects.

Ongoing Costs and Obligations

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Product Liability

Upon becoming a producer or distributor of products designed to facilitate cannabis ingestion by humans, the Company would face an inherent risk of exposure to product liability claims, regulatory action and litigation if such products are alleged to have caused significant loss or injury. In addition, tampering by unauthorized third parties or product contamination with respect to the cannabis used in such products may impact the risk of injury to consumers. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. As a supplier and/or producer and/or distributor and/or retailer of products designed to facilitate the consumption of cannabis, the Company may be subject to various product liability claims, including, among others, that the cannabis product caused injury or illness, included inadequate instructions for use or included inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls can cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Company will have detailed procedures in place for testing its products or require that third parties do the same where applicable, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's brands were subject to recall, the image of that brand and the Company could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Approvals

The Company may require advance approval of its products from authorities in the applicable jurisdiction. While the Company intends to follow the guidelines and regulations of each applicable local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise. If any of the Company's products are not approved or any existing approvals are rescinded, there is the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Product Exchanges, Returns and Warranty Claims

If the Company is unable to maintain or cause the maintenance of an acceptable degree of quality control of products it produces or distributes, the Company may incur costs associated with the exchange and return of the products as well as servicing its customers for warranty claims. Any of the foregoing on a significant scale may have a material adverse effect on the Company's business, results of operations and financial condition.

Results of Future Clinical Research

Research in Canada and internationally regarding the medical benefits, viability, safety, efficacy, dosing and/or social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the proposed management of the Company believe that the articles, reports and studies support their respective beliefs regarding the medical benefits, viability, safety, efficacy, dosing and/or social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, holders or prospective purchasers of the Company Shares should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Reliance on Key Inputs

The business of the Company would be dependent on a number of key inputs and their related costs including raw materials and supplies related to product development and manufacturing operations. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the Company's business, financial condition, and results of operations or prospects. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the Company.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure plans may be significantly greater than anticipated by the Company's management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the Company's business, financial condition, results of operations or prospects.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company Shares. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Operating Risks and Insurance

The Company's operations will be subject to hazards inherent in the cannabis industry, such as equipment defects, malfunction and failures, natural disasters which result in fires, accidents and explosions that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment, labour disputes, and changes in the regulatory environment. These risks could expose the Company to substantial liability for personal injury, wrongful death, property damage, pollution, and other environmental damages. The frequency and severity of such incidents would affect operating costs, insurability and relationships with customers, employees and regulators.

The Company will continuously monitor its operations for quality control and safety. However, there are no assurances that the Company's safety procedures will always prevent such damages. Although the Company will maintain insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover its liabilities. In addition, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits then maintained by the Company, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the Company, the Company's ability to conduct normal business operations and on the Company's business, financial condition, results of operations and cash flows in the future.

Dilution

The Company may enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive to the other shareholders and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Company Shares.

Changes in Laws, Regulations and Guidelines

The Company's operations will be subject to various laws, regulations, guidelines and licensing requirements. While the Company is expected to be in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company could have a material adverse effect on the Company's business, results of operations and financial condition.

Constraints on Marketing Products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in Canada limits companies' abilities to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and results of operations could be adversely affected.

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.

CRITICAL ACCOUNTING ESTIMATES

See Note 2 to the Company's consolidated financial statements for the year ended October 31, 2019.

NEW ACCOUNTING POLICIES ISSUED BUT NOT YET EFFECTIVE

See Note 2 to the Company's consolidated financial statements for the year ended October 31, 2019.