

**Form 51-102F3
Material Change Report**

Item 1: Name and Address of Company

Molecule Holdings Inc. ("MLCL" or the "Company")
80 Chemin Ojai,
Chelsea, QC J9B 1Y7
Telephone: (888) 665-2853

Item 2: Date of Material Change

August 11, 2021

Item 3: News Release

The Company issued a news release with respect to the completion of a private placement offering of unsecured convertible debentures (the "Debentures") with warrants (the "Warrants") on August 13, 2021.

Item 4: Summary of Material Change

On August 11, 2021, the Company completed a non-brokered private placement offering (the "Offering") of 2,434 Debentures, each \$1,000 in principal amount (the "Principal Amount") of the Debentures entitling the holder thereof to receive 6,000 Warrants, and each Warrant entitling the holder thereof to acquire one common share of the Company (each a "Warrant Share", collectively the "Warrant Shares") at an exercise price of \$0.15 per Warrant Share (the "Exercise Price") (subject to adjustment) for a period of thirty-six (36) months from the date of closing of the Offering (the "Closing"). The Offering was completed in two (2) tranches.

Item 5: Full Description of Material Change

On August 11, 2021, the Company completed a non-brokered private placement offering (the "Offering") of 2,434 Debentures, each \$1,000 in principal amount (the "Principal Amount") of the Debentures entitling the holder thereof to receive 6,000 Warrants, and each Warrant entitling the holder thereof to acquire one common share of the Company (each a "Warrant Share", collectively the "Warrant Shares") at an exercise price of \$0.15 per Warrant Share (the "Exercise Price") (subject to adjustment) for a period of thirty-six (36) months from the date of closing of the Offering (the "Closing"). The Offering was completed in two (2) tranches.

The Debentures will mature on the date (the "Maturity Date") that is thirty-six (36) months from the date of issuance (the "Closing Date") and will bear interest at a simple rate of 8.00% per annum, payable semi-annually in cash within 30 days of each June 30th and December 31st until conversion or repayment. The holders of the Debentures are entitled to convert the Principal Amount of the Debentures at any time prior to the Maturity Date into common shares of the Company at a conversion price of \$0.10 (the "Conversion Price"), subject to adjustment. As of the date that is four (4) months and one (1) day following the Closing Date, the Company will have a right to prepay or redeem the Principal Amount, in whole or in part, at par plus accrued and unpaid interest, without penalty.

The Debentures, Warrants and the common shares issuable upon conversion of the Debentures or exercise of the Warrants, respectively, will be subject to a statutory hold period expiring on the date that is four months and one day after the applicable closing date.

The proceeds of the Offering are expected to be used for general working capital.

Subject to the policies of the Canadian Securities Exchange (the “CSE”) and approval if required, the Debentures and the Warrants provide for anti-dilution adjustments, including corporate actions of the Company as well as future equity issuances below the Conversion Price or Exercise Price, as applicable. Similarly, as a result of the issuance of the Debentures and Warrants pursuant to the Offering, the conversion and exercise prices of certain debentures and warrants, respectively, that were previously issued by the Company in March 2021 will be reduced pursuant to the anti-dilution terms thereof.

The Company also paid, in aggregate throughout the Offering, \$126,320 in finder’s commissions, \$6,000 in advisory and referral fees and issued 1,263,200 non-transferable finder warrants (the “Finder Warrants”) and 24,000 non-transferable advisory warrants (the “Advisory Warrants”). The Finder Warrants are exercisable at \$0.10 per share for a period of thirty-six (36) months from the Closing Date and the Advisory Warrants are exercisable at \$0.15 per share for a period of thirty-six (36) months from the Closing Date.

The following supplementary information is provided in accordance with Section 5.2 of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61-101”):

a) **a description of the transaction and its material terms:**

All material terms are set forth above.

b) **the purpose and business reasons for the transaction:**

The proceeds of the Offering are expected to be used for general working capital. As the Company is in the early stages of production, the Offering was undertaken to allow for improved cash flow.

c) **the anticipated effect of the transaction on the issuer’s business and affairs:**

The net proceeds of the Offering will allow the Company to continue production with sufficient funds for working capital.

d) **a description of:**

i. **the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties:**

100 Debentures and 600,000 Warrants were issued to Andre Audet, director of the Company.

25 Debentures and 150,000 Warrants were issued to Lindsay Weatherdon, director of the Company.

ii. **the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:**

Prior to his participation in the Offering, Mr. Audet owned directly and indirectly 8,276,170 common shares of the Company and convertible debentures and options convertible or exercisable, respectively, into 687,500 common shares of the Company, representing 8.68% of the Company’s issued and outstanding shares on an undiluted basis and

9.33% on a partially diluted basis.

Immediately following his participation in the Offering, Mr. Audet owns, directly and indirectly, 8,276,170 common shares of the Issuer and convertible debentures, options and warrants convertible or exercisable, respectively, into 2,287,500 common shares of the Company, representing 8.68% of the Company's issued and outstanding shares on an undiluted basis and 10.82% on a partially diluted basis.

Prior to his participation in the Offering, Mr. Weatherdon owned directly and indirectly 1,000,000 common shares of the Company and options exercisable into 400,000 common shares of the Company, representing 1.05% of the Company's issued and outstanding shares on an undiluted basis and 1.46% on a partially diluted basis.

Immediately following his participation in the Offering, Mr. Weatherdone owns, directly and indirectly 1,000,000 common shares of the Issuer and convertible debentures, options and warrants convertible or exercisable, respectively, into 1,800,000 common shares of the Company, representing 1.05% of the Company's issued and outstanding shares on an undiluted basis and 1.87% on a partially diluted basis.

- e) unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:**

A unanimous resolution of the board of directors of the Company authorized the Offering.

- f) A summary in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:**

- i. that has been made in the 24 months before the date of the material change report:**

Not applicable.

- ii. the existence of which is known, after reasonable enquiry to the issuer or to any director or officer of the issuer:**

Not applicable.

- g) the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction:**

See section 5(a).

- h) disclosure of the formal valuation and minority approval exemptions, if any, on**

which the issuer is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions:

The issuance of the securities pursuant to the Offering constitutes a “related party transaction” for the Company under MI 61-101. No formal valuation on the part of the Company is required under MI 61-101 in respect of the issuance of the Note to insiders of the Company. The Company is relying on the exemptions from the formal valuation and minority approval requirements under MI 61-101. The Company is exempt from the formal valuation requirement of MI 61-101 based on sections 5.5(a) and (b) of MI 61-101 as the value of this transaction does not exceed more than 25% of the market capitalization of the Company and no securities of the Company are listed or quoted for trading on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ stock market or any other stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the Plus operated by Plus Markets Group plc. Additionally, the Company is exempt from obtaining minority shareholder approval in connection with the issuance of the securities by relying on section 5.7(1)(a) and (b) of MI 61-101 as, in addition to the foregoing, (i) neither the fair market value of the consideration received in respect thereof from “interested parties” as defined by MI 61-101 would exceed \$2,500,000 or 25% of the Company, (ii) the Company has one or more independent directors in respect of the issuance of the shares who are not employees of the Company, and (iii) all of the independent directors have approved the issuance of the shares.

As this material change report is being filed less than 21 days before the issuance of the Note, there is a requirement under MI 61-101 to explain why the shorter period was reasonable or necessary in the circumstances. In the view of the Company, such shorter period was reasonable and necessary in the circumstances as the Company was not aware of the shares for debt settlements at such time.

Item 6: Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7: Omitted Information

No significant facts remain confidential and no information has been omitted in this report.

Item 8: Executive Officer

Philip Waddington, President and CEO
(888) 665-2853

Item 9: Date of Report

August 19, 2021