

MOLECULE HOLDINGS INC.

(formerly Everton Resources Inc.)

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021

Molecule Holdings Inc. (formerly Everton Resources Inc.)

Management's Discussion & Analysis

For the three and nine months ended July 31, 2021

This Management's Discussion and Analysis ("MD&A") for Molecule Holdings Inc. (formerly Everton Resources Inc.) (the "Company" or "Molecule Holdings") has been prepared as of September 29, 2021 and should be read in conjunction with the interim condensed consolidated financial statements for the Company for the three and nine months ended July 31, 2021 and the consolidated financial statements for the years ended October 31, 2020 and 2019 and the notes thereto.

The Company's unaudited interim condensed consolidated financial statements and the notes thereto have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") under International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars unless otherwise stated. All financial analysis, data and information set out in this MD&A is unaudited.

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 Holdings Inc. (formerly Everton Resources Inc.) was incorporated under the *Business Corporations Act* (Alberta) on November 7, 1996 and currently exists under the *Business Corporations Act* (Canada).

On September 16, 2020, the Company completed a reverse takeover transaction (the "Transaction"), pursuant to which it acquired all of the issued and outstanding common shares (the "OpCo Shares") of the privately held Molecule Inc. ("OpCo"). The Company has changed the nature of its operations to the business of OpCo, which is now a wholly owned subsidiary of the Company, being the production and co-packing of cannabis-infused beverages. On February 28, 2020, OpCo was issued a Standard Processing Licence by Health Canada (the "Licence") in accordance with the Cannabis Act and Cannabis Regulations. The Licence authorizes OpCo 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.

As part of the Transaction and prior to the completion of the Arrangement (as defined below), the Company changed its name to "Molecule Holdings Inc."

The address of the Company's corporate office is 591 Reynolds Road, Lansdowne, Ontario K0E 1L0. Molecule Holdings' common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "MLCL".

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The Transaction

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

Preferred Share Issuance

Pursuant to the terms of the Arrangement Agreement, the Company created and issued 9,313,447 preferred shares (the "Preferred Shares"). The purpose of the Preferred Shares is to provide the shareholders of the Company other than original OpCo shareholders with a right to receive, on a pro rata basis, an economic benefit, subject to an aggregate maximum of up to \$500,000, in the event that any of the Company's remaining mining royalties are triggered and generate revenue within a maximum period of five (5) years from the date of the issuance of the Preferred Shares. The Preferred Shares provide that, if triggered, the Preferred Shares will be redeemable, on a pro rata basis, for cash up to an aggregate maximum of \$500,000. The Preferred Shares do not otherwise have any rights or recourses. As these royalties relate to properties with no verified resources and as no other triggering event has occurred, the Preferred Shares are valued at \$nil in the consolidated financial statements.

Going Concern

The unaudited interim condensed consolidated financial statements have been prepared on a basis that assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. The unaudited interim condensed consolidated financial statements do not reflect any adjustments that may be necessary should the Company be unable to continue as a going concern.

As at July 31, 2021, the Company only had four months of generating revenue from operations. The Company has no positive income or cash inflow from operations, has incurred losses since its inception and has limited working capital. 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 conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. If the going concern basis is not appropriate, material adjustments may be necessary to the carrying amounts and/or classification of assets and liabilities.

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CORPORATE DEVELOPMENT HIGHLIGHTS

CLOSING OF PRIVATE PLACEMENTS AND OTHER FINANCING

FISCAL 2020

On September 16, 2020, further to the completion of the RTO Transaction, the Company satisfied the primary escrow release conditions of the brokered private placement offering of subscription receipts (the "Brokered Offering") led by Gravititas Securities Inc. (the "Agent"), 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")(collectively, the "Offerings"), which closed on July 29, 2020. Upon the satisfaction of all related release conditions as agreed by the Company and the Agent, each of the 1,025 subscription receipts issued pursuant to the Offerings, which were issued at a price of \$1,000 per subscription receipt, were deemed to be automatically exchanged without any additional consideration or further action on the part of the holders thereof into one convertible debenture (each a "Convertible Debenture") of the Company. Directors of the Company participated in the private placement for a total amount of \$85,000.

Each Convertible Debenture is an unsecured debt obligation of the Company and consists of a principal amount of \$1,000 bearing interest at the simple rate of 8% per annum and maturing on September 16, 2023 (the "Maturity Date"). Prior to the Maturity Date, and subject to exercise by the Company of an acceleration provision, all the outstanding principal and accrued interest of the Convertible Debentures may be converted into units of the Company (each a "Unit", collectively the "Units") at a price of \$0.20 per Unit, at the sole option of the respective holder of the Convertible Debenture (the "Option"). Unless the Option is exercised prior to the Maturity Date, the Company will subsequently make a cash payment to the holders of the Convertible Debentures to settle the outstanding principal and accrued interest of each respective Convertible Debenture.

Each Unit is comprised of one common share and one-half 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 September 16, 2023.

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 Holdings issued an aggregate of 410,000 broker warrants and 40 convertible debentures (the "Compensation Debentures"). Each Compensation Debenture has the same terms as the Convertible Debentures and each broker warrant may be exercised into one Unit at a price of \$0.20 per Unit until September 16, 2023.

FISCAL 2021

CONVERTIBLE DEBENTURE CLOSED MARCH 18, 2021

On March 18, 2021, the Company completed a non-brokered private placement offering (the "March 2021 Offering") of 1,000 senior secured convertible debenture units (each a "Unit", collectively the "Units") for gross proceeds of \$1,000,000. Each Unit is comprised of \$1,000 in principal amount (the "Principal Amount") of senior secured convertible debenture (each, a "Debenture", collectively the "Debentures") and one share purchase warrant (each a "Warrant", collectively the "Warrants") for each \$0.30 of Principal Amount, 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 \$0.23 per Warrant Share (the "Exercise Price") (subject to adjustment) for a period of thirty-six (36) months from the date of closing of the March 2021 Offering (the "Closing"), expiring on March 18, 2024.

The Debentures bear interest at a simple rate of 8.00% per annum, payable quarterly in cash beginning on June 30, 2021, and maturing eighteen (18) months from the date of issuance, being September 18, 2022 (the

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"Maturity Date"). The holders of the Debenture 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 \$0.15 (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 at any time by providing a minimum of 30 days' and a maximum of 60 days' notice.

The net proceeds of the March 2021 Offering are expected to be used for general working capital purposes.

The obligations under the Debentures are secured by the assets of the Company and OpCo, which has also acted as guarantor (the "Guarantor"), including a pledge of the shares of the Guarantor (collectively, the "Security"). The enforcement of the Security is subject to the terms and conditions of the certificates representing the Debentures (the "Debenture Certificates") and to an Agency and Interlender Agreement entered into among the holders of the Debenture Certificates, the Company, the Guarantor, and an agent.

Subject to the policies of the Canadian Securities Exchange (the "CSE") and approval if required, the Debentures and the Warrants provide for change of control as well as anti-dilution adjustments, including corporate actions of the Company as well as future equity issuances below the Conversion Price or Exercise Price, as applicable.

The Company paid a lending fee in connection with the March 2021 Offering as well as commission to a finder consisting of cash and 583,333 compensation warrants (the "Compensation Warrants"). Each Compensation Warrant is exercisable into one common share of the Corporation for a period of 36 months at an exercise price of \$0.15.

CONVERTIBLE DEBENTURE CLOSED JULY 30, 2021

On July 30, 2021, the Company completed the first closing of a non-brokered private placement offering (the "July 2021 Offering") of 1,414 unsecured convertible debenture units (each a "Unit", collectively the "Units") for gross proceeds of \$1,414,000. Each Unit is comprised of \$1,000 in principal amount (the "Principal Amount") of unsecured convertible debenture (each, a "Debenture", collectively the "Debentures") and six thousand (6,000) share purchase warrants (each a "Warrant", collectively the "Warrants") for each \$1,000 of Principal Amount, 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 July 2021 Offering (the "Closing"), expiring on July 30, 2024.

The Debentures bear interest at a simple rate of 8.00% per annum, payable quarterly in cash beginning on January 30, 2022, and maturing twenty-four (24) months from the date of issuance, being July 30, 2023 (the "Maturity Date"). The holders of the Debenture 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. The Company has a right to prepay or redeem the Principal Amount, in whole or in part, at par plus accrued and unpaid interest at any time.

The net proceeds of the July 2021 Offering are expected to be used for general working capital purposes.

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.

The Company paid finder fees consisting of cash and 951,200 compensation warrants (the "Compensation Warrants"). Each Compensation Warrant is exercisable into one common share of the Corporation for a period of 36 months at an exercise price of \$0.15.

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In accordance with the anti-dilution provisions of the March 2021 Offering and as a result of the more favorable July 2021 Offering, the following modifications to the March 2021 Offering resulted:

- The Warrant Exercise Price of the March 2021 Offering was reduced from \$0.23 to \$0.15 per Share;
- The number of Warrants issued to the participants of the March 2021 Offering was increased to six thousand (6,000) per \$1,000 in Principal Amount (or 6,000,000 Warrants in aggregate) from 3,333,333 Warrants originally issued on March 18, 2021; and
- The Conversion Price of the March 2021 Offering was reduced from \$0.15 to \$0.10 on July 30, 2021.

All other terms of the March 2021 Offering remain unmodified by the July 2021 Offering, including the Debenture Maturity Date of September 18, 2022 and the Warrant exercise expiry date of March 18, 2024.

CONVERTIBLE DEBENTURE CLOSED AUGUST 13, 2021

On August 13, 2021, the Company completed the second closing of a non-brokered private placement offering that had a first closing of July 30, 2021 (the "August 2021 Offering") of 1,020 unsecured convertible debenture units (each a "Unit", collectively the "Units") for gross proceeds of \$1,020,000. Each Unit is comprised of \$1,000 in principal amount (the "Principal Amount") of unsecured convertible debenture (each, a "Debenture", collectively the "Debentures") and six thousand (6,000) share purchase warrants (each a "Warrant", collectively the "Warrants") for each \$1,000 of Principal Amount, 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 August 2021 Offering (the "Closing"), expiring on August 13, 2024.

The Debentures bear interest at a simple rate of 8.00% per annum, payable quarterly in cash beginning on January 30, 2022, and maturing twenty-four (24) months from the date of issuance, being August 13, 2023 (the "Maturity Date"). The holders of the Debenture 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. The Company has a right to prepay or redeem the Principal Amount, in whole or in part, at par plus accrued and unpaid interest at any time.

The net proceeds of the August 2021 Offering are expected to be used for general working capital purposes.

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.

The Company paid finder fees consisting of cash and 336,000 compensation warrants (the "Compensation Warrants"). Each Compensation Warrant is exercisable into one common share of the Corporation for a period of 36 months at an exercise price of \$0.15.

RECEIPT OF 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, OpCo entered into a lease with Thousand Island Farms Inc., a company owned by Andre Audet, a Director of Molecule Holdings, for a parcel of land and a building located in the Thousand

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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 OpCo is not in default in the performance of any term of the lease, it 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.

On January 7, 2021, 500,000 stock options were granted to a consultant of the Company at an exercise price of \$0.20 per share, with 34% vesting on the grant date, and 34% and 33% vesting three and nine months following the grant date respectively, which expire one year following the grant date.

On February 8, 2021, 2,600,000 stock options were granted to certain directors, officers, employees and consultants of the Company at an exercise price of \$0.15 per share. The options all vest on the four-month anniversary of the grant date and expire on February 8, 2026.

On April 14, 2021, 80,000 stock options with an exercise price of \$0.50 per share expired.

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, 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, OpCo issued 1,000,000 common shares, at a deemed value of \$0.10 per share, to OpCo'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, OpCo adopted a Restricted Share Unit ("RSU") plan and the Company adopted a RSU plan on January 21, 2021 (collectively, the "RSU Plan"). The Company continues to honour the vesting of the RSUs issued under the OpCo 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.

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On June 1, 2020, 1,706,667 RSUs were granted to officers, employees and certain consultants of OpCo, 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 RSUs were granted to certain consultants of OpCo, which vest quarterly over a twelve-month period.

On January 29, 2021, 4,522,763 RSUs were granted to officers, employees and certain consultants of the Company, with 1,422,138 vesting on the grant date and the remainder vesting quarterly over two quarters from the grant date.

SIGNING OF CANNABIS SUPPLY AGREEMENT

On November 26, 2020, the Company announced the signing of a cannabis supply agreement with Abcann Medicinals Inc., a wholly owned subsidiary of Vivo Cannabis Inc., enabling Molecule to use Vertosa emulsions in its cannabis beverages. Abcann has territory rights to Vertosa emulsion technology and generates the products on site. Vertosa's customized water-compatible solutions are reported to accelerate onset time, increase bioavailability, and improve the taste profile of cannabis-infused products.

COMPLETION OF PRODUCTION-SCALE TEST RUNS OF CANNABIS INFUSED BEVERAGES

On December 23, 2020, the Company announced that it had successfully completed a production-scale test run of cannabis-infused beverages at its licensed facility in Lansdowne, Ontario. The run represented the successful transition from bench-top to full-scale production testing. Production runs begin with water and proceed through filtration, flavoring, cannabis infusion, chilling, gas management, pasteurization and canning. Samples were taken during the course of the production and returned favorable results from testing that was performed in the Company's on-site laboratory.

On January 20, 2021, the Company announced that it had successfully completed another production-scale test run, aimed at refining and finalizing its processes and controls, thereby readying the Company for its sales amendment application and inventory accumulation.

MODIFICATIONS OF WARRANTS

On January 20, 2021, the Company extended the expiry date of an aggregate of 1,103,250 previously issued warrants (the "Warrants") for one additional year. 499,750 of the Warrants (4,997,500 pre-consolidation) (the "February 6 Warrants") were originally issued on February 6, 2017, had a previous expiry date of February 6, 2021 and were extended in 2021 for one additional year, to February 6, 2022. 603,500 of the Warrants (6,035,000 pre-consolidation) (the "February 21 Warrants") were originally issued on February 21, 2017, had a previous expiry date of February 21, 2021 and were extended in 2021 for one additional year, to February 21, 2022. Each of the 1,103,250 Warrants entitle the holder to purchase a common share of the Company at an exercise price of \$0.70.

On July 30, 2021, as a result of the July 2021 Offering, the number of Warrants issued in the March 2021 Offering increased from 3,333,333 to 6,000,000 and the exercise price was reduced from \$0.23 to \$0.15.

SALES PARTNERSHIP WITH VORTEX CANNABIS INC.

On January 26, 2021, the Company announced that it had signed a binding term sheet with Vortex Cannabis Inc. ("Vortex") which sets out the terms of a service agreement (the "Service Agreement") whereby Vortex will sell products produced by Molecule to the provincial retailers of cannabis products (the "Provincial Retailers"). The Service Agreement allows Molecule to begin selling its line of cannabis infused beverages throughout

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Canada, starting initially with Ontario and Quebec. Under the terms of the Service Agreement, Molecule will pay a percentage of revenues to Vortex for its services. The initial term of the Service Agreement covers nine months and can be extended as required.

Molecule currently holds a Standard Processing Licence (the "Licence") issued by Health Canada, which allows the Company to produce cannabis-infused products and sell them to other Licensed Producers (LPs). A Standard Processing Licence requires an amendment to allow processors to sell cannabis products directly to Provincial Retailers (the "Sales Amendment"). Rather than waiting until the Sales Amendment is issued, this Service Agreement allows Molecule to bring its line of cannabis-infused beverages to market through Vortex, while completing its own sales amendment application.

SIGNING OF MASTER SUPPLY AGREEMENT WITH THE ONTARIO CANNABIS STORE

On February 3, 2021, the Company announced that its sales partner, Vortex Cannabis Inc. ("Vortex"), had signed a Master Supply Agreement with the Ontario Cannabis Store ("OCS"). The agreement is in relation to 11 products that were previously submitted to the OCS by Molecule and have now been resubmitted with Vortex as the licensed sales partner.

On March 9, 2021, the Company announced that it has received a full shipment of 355 ml. sleek aluminum cans. This shipment will allow Molecule to scale production, enabling the company to fulfill its opening list of orders expected from the OCS.

On March 11, 2021, the Company announced that it has received its first pipeline fill orders for 5 of its brands from the OCS, and has committed to shipping to the OCS Distribution Centre shortly after March 2021. The OCS anticipates further follow-up PO's, "one and two weeks after launch". This initial shipment was completed on July 31, 2021.

On April 28, 2021, the Company announced its line of *Molecule Crafted™* cannabis beverage portfolio for launch in May 2021.

On May 6, 2021, the Company announced that its third wholly owned line of cannabis beverages, *Phresh Cannabis Beverages* ("Phresh"), will be available in June 2021.

On May 19, 2021, the Company announced that its first five beverages are now available for purchase online through the OCS online ecommerce portal.

On June 3, 2021, the Company announced that its newest brand Phresh was picked up by the OCS for both online and retail distribution, being the sixth Molecule brand accepted and sold by OCS.

BEVERAGE PRODUCTION AGREEMENT WITH PROPER CANNABIS

On February 11, 2021, the Company announced that it had finalized a definitive agreement with Proper Cannabis ("Proper"), and has received its initial deposit for production and distribution of cannabis beverages.

DEBT SETTLEMENT

The Company issued 1,340,500 shares on September 16, 2020 in settlement of \$263,100 in debt and 267,526 shares on October 14, 2020 in settlement of \$40,128 in debt. In total, the Company issued 1,608,026 shares in settlement of \$303,228 in debt, including a Director that received a total of 1,215,500 shares in settlement of \$243,100 in debt.

On January 29, 2021, the Company issued 1,925,300 common shares in settlement of \$288,795 in debt, including Directors of the Company received a total of 933,333 common shares in settlement of \$140,000 in consulting fees.

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ISSUANCE OF SHARES FOR SERVICES

On January 15, 2021, the Company signed an agreement with an online marketing company, pursuant to which the Company will pay a total of \$75,000 plus HST, payable in 5 instalments over a twelve-month period. The first instalment was due on signing, with subsequent instalments payable quarterly over the twelve-month period. All amounts are payable in shares, based on the closing price on each instalment date. On January 26, 2021, the Company issued 135,600 common shares at a price of \$0.125 per common share, in settlement of the first installment of \$16,950 (\$15,000 plus HST).

On February 21, 2021, the Company signed an agreement with Toronto-based marketing firm North Equities Corp., which specializes in various social media platforms, to facilitate greater investor engagement and widespread dissemination of the Company's news. On February 23, 2021, pursuant to the agreement, the Company issued 500,000 common shares at a price of \$0.14 per common share, in settlement of the entire contract value. The common shares are subject to a hold period expiring on June 24, 2021.

SALE OF MARKETABLE SECURITIES

On February 26 and March 1, 2021, the Company sold 500,000 shares of Precipitate Gold Corp. (Precipitate") in aggregate for gross proceeds of \$97,040.

Between May 18 and June 7, 2021, the Company sold the remaining 499,600 shares of Precipitate in aggregate for gross proceeds of \$69,711.

ANNUAL GENERAL MEETING

On July 31, 2021, the Company held its Annual General Meeting. Shareholders of the Company approved all matters voted on at the meeting.

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SELECTED FINANCIAL INFORMATION

The following selected financial information is derived from the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended July 31, 2021, which were prepared in accordance with IFRS:

	Three months ended July 31,		Nine months ended July 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net loss and total comprehensive loss	(891,179)	(366,047)	(3,000,568)	(1,180,257)
Basic and diluted loss weighted average number of common shares outstanding	93,832,922	74,553,361	90,714,557	74,146,086
Basic and diluted loss per common share	(0.010)	(0.005)	(0.033)	(0.016)

As at	July 31, 2021	October 31, 2020
	\$	\$
Cash	1,229,290	902,519
Trade and other receivables	509,951	103,081
Inventory	458,170	145,352
Working capital	1,402,714	389,236
Capital assets	3,531,300	3,920,403
Total assets	5,948,808	5,446,981
Total liabilities	3,871,134	2,010,407
Total equity	2,077,674	3,436,574

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.

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RESULTS OF OPERATIONS

	Three months ended July 31,		Nine months ended July 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Gross revenue from sale of goods	282,209	-	350,748	-
Net revenue	254,800	-	323,339	-
Gross profit (loss) before fair value adjustments	(273,446)	-	(332,730)	-
Gross profit (loss)	(276,058)	-	(341,680)	-
Operating expenses	537,106	366,047	2,529,941	1,187,453
Loss from operations	(813,164)	(366,047)	(2,871,621)	(1,187,453)
Other income (loss)	(78,015)	-	(128,947)	7,196
Net loss and total comprehensive loss	(891,179)	(366,047)	(3,000,568)	(1,180,257)

During the three and nine months ended July 31, 2021, the Company recorded a net loss and total comprehensive loss of \$891,179 and \$3,000,568, respectively, as compared to a net loss and total comprehensive loss of \$366,047 and \$1,180,257, respectively, during the three and nine months ended July 31, 2020, an increase of \$525,132 and \$1,820,311, respectively. The increase for the three and nine months ended July 31, 2021 was primarily attributable to variances in the following items: increases in: (i) cost of goods sold, (ii) office and facilities, (iii) supplies and testing (iv) depreciation of capital assets, (v) stock-based compensation, (vi) interest on convertible debt, (vii) government assistance and (viii) other losses; as partially offset by an increase in (ix) revenue, and a reduction in: (x) management and consulting fees and (xi) professional fees, as further described below:

- (i) During the three and nine months ended July 31, 2021, the Company incurred cost of goods sold of \$528,246 and \$656,069, respectively, as compared to \$nil during each of the three and nine months ended July 31, 2020. The increase during the three and nine months ended July 31, 2021, is due to the Company commencing commercial operations in April 2021 and scaling production through the quarter ended July 31, 2021.
- (ii) During the three and nine months ended July 31, 2021, the Company incurred office and facilities expenses of \$73,730 and \$262,968, respectively, as compared to \$24,090 and \$86,181, respectively, during the three and nine months ended July 31, 2020, an increase of \$49,640 and \$176,787, respectively. The increase during the three and nine months ended July 31, 2021 is primarily due to preparing the Company's facilities in Lansdowne in late 2020 and early 2021 for commercial production.
- (iii) During the three and nine months ended July 31, 2021, the Company incurred supplies and testing expenses of \$25,666 and \$166,021, respectively, as compared to \$7,023 and \$28,870, respectively, during the three and nine months ended July 31, 2020, an increase of \$18,643 and \$137,151, respectively. The increase during the three and nine months ended July 31, 2021 is primarily due to increased production run testing as the Company prepared for fulfilling its first orders in the second quarter of fiscal 2021 and as it scaled production through the quarter ended July 31, 2021.
- (iv) During the three and nine months ended July 31, 2021, the Company recognized depreciation of \$15,470 and \$195,800, respectively, as compared to \$11,994 and \$35,982, respectively, during the three and nine months ended July 31, 2020, an increase of \$3,476 and \$159,818, respectively. The increase during the nine months ended July 31, 2021 is primarily due to commencing depreciation of the Company's leasehold improvements in December 2020 after it became ready for use in and the production equipment in January 2021 following the Company's first test production-scale cannabis beverage run in December 2020.

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- (v) During the three and nine months ended July 31, 2021, the Company incurred stock-based compensation of \$129,732 and \$955,626, respectively, as compared to \$61,956 and \$187,856, respectively, during the three and nine months ended July 31, 2020, an increase of \$67,776 and \$767,770, respectively. The increase during the three and nine months ended July 31, 2021 is due primarily to the 4,522,763 RSUs granted to officers, employees and certain consultants on January 29, 2021, the 500,000 stock options granted to a consultant on January 7, 2021 and the 2,600,000 stock options granted to directors, officers, employees and consultants on February 8, 2021, versus the 1,000,000 common shares issued to OpCo's Chief Regulatory Officer on December 1, 2019, in accordance with his terms of employment.
- (vi) During the three and nine months ended July 31, 2021, the Company incurred interest on convertible debt of \$101,504 and \$215,604, respectively, as compared to \$nil during each of the three and nine months ended July 31, 2020, as a result of the convertible debt financings in September 2020, March 2021 and July 2021.
- (vii) During each of the three and nine months ended July 31, 2021, the Company realized a fair value adjustment of convertible debt loss of \$33,979 associated with the impact of the more favorable terms of the July 2021 Offering on the March 2021 Offering participants and a loss on disposal of capital assets of \$32,026 whereby the Company received \$30,000 of proceeds from selling excess equipment, as compared to \$nil during each of the three and nine months ended July 31, 2020.
- (viii) During the three and nine months ended July 31, 2021, the Company realized government assistance recoveries of \$nil and \$515, respectively, as compared to \$96,932 during each of the three and nine months ended July 31, 2020, related to investment tax credits recognized in connection with the government's Scientific Research and Experimental Development program ("SR&ED").
- (ix) During the three and nine months ended July 31, 2021, the Company realized growing revenues following its first shipment in April 2021, recorded net of fees to its Licensed Producer partner, Vortex, and a provision for estimated returns, allowances and discounts.
- (x) During the three and nine months ended July 31, 2021, the Company recorded management and consulting fees of \$111,496 and \$289,956, respectively, as compared to \$84,305, and \$398,708, respectively, during the three and nine months ended July 31, 2020, an increase of \$+27,191 and a decrease of \$108,752, respectively. The higher expense during the three and nine months ended July 31, 2020, resulted from activities associated with the Company's licence application which was received on February 28, 2020 and corporate advisory work in the lead up to the reverse take-over transaction in September 2020.
- (xi) During the three and nine months ended July 31, 2021, the Company incurred professional fees of \$15,487 and \$149,425, respectively, as compared to \$91,120 and \$254,692, respectively, during the three and nine months ended July 31, 2020, an decrease of \$75,633 and \$105,267, respectively. The higher expense during the three and nine months ended July 31, 2020 is primarily due to professional fees incurred in connection with preparing for the reverse take-over transaction in in September 2020, as partially offset earlier in 2021 by the increased obligations associated with being public, following the reverse take-over transaction.

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SUMMARY OF QUARTERLY RESULTS

The following information has been derived from the eight most recently completed quarters, all presented in accordance with IFRS:

	July 31,	April 30,	January 31,	October 31,
For the three months ended	2021	2021	2021	2020
		\$	\$	\$
Net loss	(891,179)	(1,246,469)	(862,920)	(2,146,737)
Comprehensive loss	(891,179)	(1,246,469)	(862,920)	(2,146,737)
Basic and diluted loss per common share	(0.010)	(0.014)	(0.010)	(0.028)

	July 31,	April 30,	January 31,	October 31,
For the three months ended	2020	2020	2020	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)

The significant increase in the net loss and comprehensive loss during the three and nine months ended July 31, 2021, as compared to other periods, excluding the quarter ended October 31, 2020 when the Company went through the RTO, is due to expenses incurred in connection with the Company preparing for, commencing and beginning to scale commercial production of cannabis beverages in late 2020 and early 2021, and due to the higher costs of being public subsequent to the Company's RTO in September 2020.

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, 2021, the Company had working capital of \$1,402,714 including cash of \$1,229,290, trade and other receivables of \$509,951, prepaid expenses and deposits of \$220,097, inventory of \$458,170 and current liabilities of \$1,014,794.

During the nine months ended July 31, 2021, the Company used cash of \$1,779,337 to fund operating activities.

During the nine months ended July 31, 2021, the Company raised \$1,000,000 and \$1,414,000 in proceeds from the issuance of convertible debt on March 18, 2021 and July 30, 2021 respectively, and \$166,751 in proceeds from the sale of shares in Precipitate.

During the nine months ended July 31, 2021, the Company extended its cash runway by issuing 1,925,300 common shares in settlement of \$288,795 of debt and 635,600 common shares for services valued at \$86,950. The Company also granted 4,522,763 RSUs on January 29, 2021 to officers, employees and certain consultants, 500,000 stock options at an exercise price of \$0.20 per share to a consultant on January 7, 2021 and 2,600,000 stock options at an exercise price of \$0.15 per share to directors, officers, employees and certain consultants on February 8, 2021.

As the Company's focus has been primarily on the retrofitting of its facility in the Thousand Islands region of Eastern Ontario, obtaining its licence from Health Canada, and on preparing for and commencing production

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of cannabis-infused beverages, it has generated little operating revenue to date and has relied primarily on equity and/or debt financings to fund its operations. 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, 2021 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 and facilities lease payments payable to a company related to a Director of the Company was as follows:

	Three months ended July 31,		Nine months ended July 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries	20,000	20,000	71,799	65,000
Consulting fees (1)	84,000	20,000	169,071	60,000
Stock-based compensation	63,447	26,670	381,449	126,670
Total remuneration	167,447	66,670	622,319	251,670
Lease payments (1)	15,000	15,000	45,000	45,000

- (1) As at July 31, 2021, unpaid consulting fees and facilities lease payments in the aggregate amount of \$62,200 are owed to management and a company related to a Director and have been included in accounts payable and accrued liabilities (\$139,000 as at October 31, 2020). The amounts owing are unsecured, non-interest bearing and due on demand.

During the three and nine months ended July 31, 2021, facilities costs of \$15,000 and \$45,000, respectively, were paid/payable to a company owned by Andre Audet, the Company's former CEO and current Director (2020 – \$15,000 and \$45,000, respectively). During each of the three and nine months ended July 31, 2021, consulting fees of \$11,000 were paid/payable to a company owned by Andre Audet, the Company's former CEO and current Director (2020 – \$nil). During the three and nine months ended July 31, 2021, the Company also expensed \$20,937 and \$111,959 of stock-based compensation expense related to Mr. Audet (2020 – \$6,670 and \$6,670, respectively).

During the three and nine months ended July 31, 2021, salary of \$20,000 and \$71,799, respectively, was paid/payable to Phil Waddington, the Company's current COO and former CEO and Chief Regulatory Officer ("CRO"), for services rendered as CEO (2020 – \$20,000 and \$65,000, respectively, for services rendered as

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CRO). During the three and nine months ended July 31, 2021, the Company also expensed \$22,743 and \$96,460, respectively, of stock-based compensation expense related to Mr. Waddington (2020 – \$6,670 and \$106,670, respectively).

During the three and nine months ended July 31, 2021, consulting fees of \$nil and \$10,000, respectively, were paid/payable to Brendan Stutt, the Company's former CFO, for services rendered as CFO of the Company (2020 – \$20,000 and \$60,000, respectively). During each of the three and nine months ended July 31, 2021, the Company also expensed \$nil of stock-based compensation expense related to Mr. Stutt (2020 – \$13,330).

During the three and nine months ended July 31, 2021, consulting fees of \$33,000 and \$87,071, respectively, were paid/payable to Positive Venture Group Inc. ("Positive") for finance outsource services including the fees for the services of Mr. Jeff Stoss, the Company's CFO (2020 – \$nil and \$nil, respectively). During the three and nine months ended July 31, 2021, the Company also expensed \$4,515 and \$22,500, respectively, of stock-based compensation expense related to Positive (2020 – \$nil and \$nil, respectively).

During the three and nine months ended July 31, 2021, consulting fees of \$40,000 and \$61,000, respectively, were paid/payable to David Reingold, current CEO and Director of the Company, for consulting services rendered (2020 – \$nil and \$nil, respectively). During the three and nine months ended July 31, 2021, the Company also expensed \$15,252 and \$150,530, respectively, of stock-based compensation expense related to Mr. Reingold (2020 – \$nil and \$nil, respectively).

FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT*Financial instruments*

The Company's financial instruments consist of cash, trade accounts receivable, marketable securities, accounts payable and accrued liabilities, convertible debt 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, 2021	October 31, 2020
	\$	\$
Financial assets		
Amortized cost		
Cash	1,229,290	902,519
Trade accounts receivable	461,203	-
Fair value through profit or loss		
Marketable securities	-	239,904
Total financial assets	1,690,493	1,142,423
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	(965,196)	(1,094,133)
Convertible debt	(2,698,887)	(697,625)
Other long-term liabilities	(60,000)	(40,000)
Total financial liabilities	(3,724,083)	(1,831,758)

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Risk management

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

(i) Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of trade accounts receivable and cash. The Company provides credit to its customer in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. Since that customer sells end products to Provincial Retailers, the Company has limited credit risk. 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.

(iii) Market risk

The Company holds shares in a publicly listed company in the mineral exploration industry. The Company is exposed to market risk regarding these shares as unfavorable market conditions could result in the disposal at less than their value at July 31, 2021. As at July 31, 2021, the Company held no more of these shares and had recognized a loss of \$73,153 for the nine months ended July 31, 2021 (2020 – \$nil).

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 three months ended July 31, 2021.

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CHANGE IN ACCOUNTING POLICIES

As a result of the Company commencing production during the nine months ended July 31, 2021, the Company has expanded certain pre-existing accounting policies and adopted the following new accounting policies that were not previously included in the notes to the Company's consolidated financial statements for the years ended October 31, 2020 and 2019.

Trade receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes all expenses directly attributable to the production, packaging and quality assurance processes as well as suitable portions of related production overheads, based on normal operating capacity, including materials, overhead, depreciation, amortization, consulting and labor-related costs (including stock-based compensation). The identified capitalized direct and indirect costs related to inventory are subsequently recorded within cost of goods sold on the consolidated statements of loss and comprehensive loss at the time the product is sold, with the exclusion of realized fair value amounts included in inventory sold and unrealized losses arising from changes in fair value less cost to sell during the period which are recorded as separate lines within gross profit (loss). Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Revenue recognition

Revenue from the direct sale of cannabis-infused beverages ("CIBs") to customers for a fixed price is recognized when the Company transfers the control of the goods to the customer upon delivery and acceptance by the customer. The Company recognizes revenue in an amount that reflects the consideration which the Company expects to receive taking into account the impact which may arise from any rights of return on sales, price concessions or similar obligations. Net revenue is presented net of taxes (not presently applicable), estimated returns, allowances and discounts.

Canada Revenue Agency ("CRA") levies excise taxes on the sale of medical and adult-use cannabis products. The Company becomes liable for these excise duties when cannabis products are delivered to provincial retailers of cannabis products (the "Provincial Retailers") through other Licensed Producers ("LPs"). Net revenue, as presented on the consolidated statements of loss and comprehensive loss, represents revenue from the sale of goods less applicable excise taxes.

Cost of goods sold

Cost of goods sold includes the cost of inventory expensed, packaging costs, shipping costs and related labor.

NEW SIGNIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES

As a result of the Company commencing production during the three months ended July 31, 2021, the Company has the following new significant management judgements and estimates in applying the accounting policies of the Company that have significant effect on the financial statements.

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New significant management judgements

Revenue – Principal versus Agent

The Company evaluates whether it is the principal (reports on gross basis) or agent (reports on a net basis) for revenues generated by the direct sale of CIBs. The LP partners of the Company control the CIBs prior to the sale to its customers as regulated and mandated under the Cannabis Act and Health Canada legislation. The Company's LP partners possessing the sole ability to monetize the sale of CIBs through the held sales agreements and purchase orders with Provincial Retailer customers. The Company presents the revenues from the sale of CIBs on a net basis, net of associated fees from the LPs, as it presently sells only to LPs, who then sell to Provincial Retailers.

New significant management estimates

Valuation of Inventory

In calculating the net realizable value of inventory, management determines the selling prices based on prevalent sales prices, selling costs, and includes an estimate of spoiled or expired inventory based on the most reliable evidence available at the time, to record inventory at the lower of cost or net realizable value.

INHERENT RISK FACTORS

You should carefully consider the following risks and uncertainties in addition to other information in this MD&A in evaluating Molecule Holdings 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.

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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 significant 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 and will have a high relative cost of goods sold while production remains at lower volumes.

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.

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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.

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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 Company believes that the articles, reports and studies support their 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

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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.

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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 of a novel strain of coronavirus ("COVID-19"), in or about December 2019, 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 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 Holdings 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 the Company's labour productivity and its supply chains. For example, mandatory or voluntary self-quarantines may limit the staffing of the Company's facility. In addition, it's possible that the COVID-19 pandemic may adversely affect Molecule Holdings' 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 Holdings is unable to accurately estimate the impact or level of materiality of COVID-19 on its business, operations or financial results. The Company 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 years ended October 31, 2020 and 2019 and Note 2 to the Company's interim condensed consolidated financial statements for the three and nine months ended July 31, 2021.

NEW ACCOUNTING POLICIES ISSUED BUT NOT YET EFFECTIVE

See Note 2 to the Company's consolidated financial statements for the years ended October 31, 2020 and 2019.

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OUTSTANDING SHARE DATA

Common shares and convertible securities outstanding at September 28, 2021, consist of:

Security	Expiry date	Range of exercise price	Securities outstanding
		\$	#
Common shares	-	-	95,379,326
Warrants	Up to August 13, 2024	0.15 - 0.70	24,142,783
Stock options	Up to February 8, 2026	0.10 - 1.30	6,580,000
Restricted share units	-	-	-

In addition to the securities noted in the above table, there are also 1,065 convertible debentures outstanding, issued in connection with the private placement which closed on July 29, 2020. Each convertible debenture consists of a principal amount of \$1,000 and may be converted into units of the Company (each a "Unit" or collectively the "Units") at a price of \$0.20 per Unit. Each Unit is comprised of one common share and one-half of one common share purchase warrant exercisable at \$0.30.

In addition to the securities noted in the above table, there are also 1,000 convertible debentures outstanding, issued in connection with the private placement which closed on March 18, 2021. Each convertible debenture consists of a principal amount of \$1,000 and may be converted into shares of the Company at a price of \$0.10 per share, as modified by the July 2021 Offering from \$0.15 per share.

In addition to the securities noted in the above table, there are also 1,414 convertible debentures outstanding, issued in connection with the first closing of a private placement which closed on July 30, 2021. Each convertible debenture consists of a principal amount of \$1,000 and may be converted into shares of the Company at a price of \$0.10 per share.

In addition to the securities noted in the above table, there are also 1,020 convertible debentures outstanding, issued in connection with the second closing of a private placement which closed on August 13, 2021. Each convertible debenture consists of a principal amount of \$1,000 and may be converted into shares of the Company at a price of \$0.10 per share.

See Corporate Development Highlights section for further details.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

Additional information on the Company is available on SEDAR (www.sedar.com).