



FORM 7

SEPTEMBER MONTHLY PROGRESS REPORT

Name of CSE Issuer: Molecule Holdings Inc. (the “Company”)

Trading Symbol: MLCL

Number of Outstanding Listed Securities: 97,781,903 common shares in the capital of the Company

Date: October 6, 2022

Report on Business

1. Provide a general overview and discussion of the development of the Issuer’s business and operations over the previous month. Where the Issuer was inactive disclose this fact.

The Company continued to focus on its product lines and sales of its products throughout the month of September, including new product development in anticipation of its October product release and expanding the sales of current SKUs. The Company also continued to coordinate financing arrangements and discuss strategic business opportunities during the month of September, announcing the entering into of a non-binding letter of intent (the “Letter of Intent”) and term sheet (the “Term Sheet”) regarding the acquisition (the “Acquisition”) of all of the issued and outstanding shares of Canna-Day Development Inc. (“Canna-Day”) from the shareholders of Canna-Day for an aggregate purchase price of \$750,000 and a concurrent non-brokered private placement (the “Financing”) of units (“Units”) of up to an aggregate of \$3,750,000 at \$0.05 per Unit.

On September 22, 2022, the Company provided a business update and announced the following brands launched into the Ontario Cannabis Store (“OCS”) in the spring and summer: PHRESH Summer Punch, Blue Raspberry, and Mango Peach; PHRESH STRAINS Pineapple Express; EMBODY Blood Orange & Rosemary and Mint & Honey; KLON Strawberry Wackari; and, CANAJO Regular and Espresso Spice. Following these launches, there are a total of 11 Company SKUs in OCS.

On September 22, 2022, the Company also announced that it is set to launch an additional four new products into the OCS during its October product release, which is expected to include three new PHRESH STRAINS flavours and a limited release holiday beverage: PHRESH Candy Cane Twist.

On September 22, 2022, the Company announced the award of 3,000,000 restricted share units (“RSUs”) to a director and officer of the Company (the “Holder”) in accordance with the terms of the Company’s RSU plan (the “RSU Plan”). Upon settlement of the RSUs, the Holder shall have the ability to acquire one common share in the capital of the Company (a “Common Share”) underlying each such RSU, a cash payment in lieu thereof, or a combination of both, at the sole discretion of the Board of Directors of the Company (the “Board”). 50% of the RSUs vest on January 31,



2023, with the remainder vesting on January 31, 2024.

Pursuant to a negotiated agreement with the Holder on September 22, 2022, the Company has contemplated a future award of 2,000,000 RSUs to the Holder, or a cash payment in lieu thereof calculated based on an agreed-upon formula, which remains subject to further Board approval, availability under the RSU Plan, and the policies of the Canadian Securities Exchange (the “CSE”). The vesting criteria will be determined at the reasonable discretion of the Board at the time of the award.

On September 28, 2022, the Company announced the entered into of the Letter for Intent for the Acquisition of Canna-Day. The purchase price of \$750,000 is expected to be satisfied by the Company issuing an aggregate of 15,000,000 Common Shares at a deemed price of \$0.05 per Common Share.

Completion of the Acquisition is subject to certain conditions precedent including, but not limited to: (i) satisfactory completion of due diligence of each party; (ii) Canna-Day having no liabilities, other than certain transaction costs; (iii) the completion of the Financing; (iv) receipt of all necessary regulatory and third-party consents, approvals and authorizations as may be required in respect of the Acquisition and the Financing, including without limitation, the approval of the CSE, if applicable, any approvals required by Health Canada, and any approvals required under the existing outstanding debt documentation of the Company, all such consents, acceptances and approvals to be on terms and conditions acceptable to the Company; (v) approval of the Board to the final terms and conditions of the Acquisition as set forth in the definitive agreement with respect to the Acquisition; and (vi) certain other conditions that are customary for transactions of this nature. There can be no assurance that the Acquisition will be completed by the Company on the terms proposed or at all.

Further, on September 28, 2022, the Company announced the entering into of the Term Sheet for the Financing of up to an aggregate of \$3,750,000 at a price of \$0.05 per Unit, with each Unit consisting of one Common Share and one half of one Common Share purchase warrant (the “Warrants” and each whole warrant, a “Warrant”), resulting in the issuance of up to an aggregate of 75,000,000 Common Shares and 37,500,000 Warrants. Each full Warrant will be exercisable for one Common Share (the “Warrant Shares” and each, a “Warrant Share”) at an exercise price of \$0.10 per Warrant Share for a period of two years from the closing date of the Financing. The Financing will be led by one or more of the shareholders of Canna-Day as the lead investor(s) (collectively, the “Lead Investors”) and is anticipated to include other family, friends and business associates of the Company.

Completion of the Financing will be conditional on the following, among other things (i) a minimum of \$3,500,000 being raised, with the Lead Investors having a minimum investment of \$2,000,000; (ii) the Lead Investors being satisfied with their diligence efforts on the Company; (iii) the holders of a number of outstanding debentures of the Company agreeing to certain terms and certain outstanding debentures of the Company being redeemed; (iv) all relevant corporate and regulatory approvals being obtained (including, but not limited to, required corporate approvals, CSE approval,



if necessary, and Health Canada approval, if necessary); (v) the appointment of the current Chief Executive Officer of Canna-Day to be the Chief Executive Officer of the Company, subject to clearance by the CSE of a CSE Form 3 – Personal Information Form (“PIF”) and security clearance by Health Canada; (vi) the appointment of a new independent chair to the Board and a nominee of Canna-Day to the Board in replacement of two existing directors, with each Board appointment being subject to the clearance of a PIF with the CSE and obtaining security clearance from Health Canada; and (vii) the entrance into an investor rights agreement between the Company and the Lead Investors that would provide for certain Board nomination rights, approval rights, anti-dilution rights and top-up rights, provided the shareholdings of the Lead Investors in the Company are above certain thresholds. There can be no assurance that the Financing will be completed by the Company on the terms proposed or at all.

As a result of the Term Sheet, the Company has informed Canaccord Genuity Corp. that it does not intend to proceed with the brokered private placement previously announced on June 15, 2022. The agreement with Canaccord has expired without renewal.

For additional information regarding the Acquisition and the Financing, please refer to the Company’s press release dated September 28, 2022, which is available under the Company’s SEDAR profile at www.sedar.com.

On September 28, 2022, following negotiation between the Company and the collateral agent (the “Agent”) acting on behalf of the purchasers (the “Purchasers”) of the outstanding \$750,000 in principal amount of secured convertible debentures (the “Debentures”) issued by the Company in March 2021 (the “March 2021 Offering”), the Agent delivered the Company with a reservation of rights letter (the “Letter”), which was accepted and acknowledged by the Company and Molecule Inc., the Company’s wholly-owned subsidiary.

The Agent provided notice to the Company that the outstanding \$750,000 in principal amount under the debentures issued in the March 2021 Offering, plus accrued and unpaid interest, became due and payable on September 18, 2022 (the “Maturity Date”), which shall constitute an ‘Event of Default’ under the debentures if unremedied 15 days after the Maturity Date (the “Default Date”).

In the Letter, the Agent, without waiving any of its legal rights under the debentures, has notified the Company that it does not intend to take any further action for a period of at least 30 days following the Default Date. Further, the Agent has agreed to provide the Company with at least 15 days’ notice prior to enforcement.

The Company intends to repay the outstanding amount under the debentures prior to enforcement by the Agent. However, at present, there can be no assurance as to what, if any, alternatives might be pursued by the Company. There can also be no assurance that the Company will reach any solution with the Agent, or as to the terms of any such solution, if achieved.

2. Provide a general overview and discussion of the activities of management.

During the month of September, management engaged in various activities to further the Company's objectives. Management was particularly focused on strengthening its sales efforts, developing its product lines, engaging in discussions regarding future financing arrangements and strategic business opportunities, negotiating terms of existing agreements the holders of Debentures and third-party businesses, and compensating key executives for their contributions to the business.

Following the completion of another successful product launch, it is currently working to complete the required product development and inventory preparations to fulfil replenishment orders and to prepare for the next product launch, including the planned launch of four new products in the OCS in October.

The Company also engaged with various parties, including Canaccord, Canna-Day and the Lead Investors to negotiate terms to complete strategic transactions and financing. As well, the Company negotiated the terms of the Letter with the Agent with regards to the Debentures from the March 2021 Offering that matured on the Maturity Date.

Please refer to responses #1, #3, #6 and #14 for additional information.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

During the month of September, the Company did not offer any new products or services. However, the Company was focused on product development in advance of the anticipated launch of an additional four (4) new products into the OCS during its October product release, which is expected to include three (3) new PHRESH STRAINS flavours and a limited release holiday beverage: PHRESH Candy Cane Twist.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

There were no products or services which were discontinued during the month of September.

The Company regularly works on developing new potential products and will provide updates upon any products being approved for sale into new provinces or territories of Canada.

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture

agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

None noted.

The Company continues to work with current clients and toward acquiring new clients as a co-packer.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

The beverage production agreement effective as of February 11, 2021 between the Company and Proper Cannabis was terminated effective as of September 4, 2022 due to Proper Cannabis' cessation of Proper Cannabis' business. As a results of the termination of this agreement, the Company will no longer be producing Proper Cannabis products in the future.

Furthermore, effective as of August 1, 2022, the sales representation agreement dated April 7, 2022 between the Company and Humble+Cannabis Solutions Inc. was terminated, which was not previously announced in the August Monthly Progress Report.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship

No acquisitions or dispositions of assets occurred during the month.

8. Describe the acquisition of new customers or loss of customers.

No acquisitions of new customers or loss of customers occurred during the month.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

None noted.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

None noted.

11. Report on any labour disputes and resolutions of those disputes if applicable.

None noted.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

None noted.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

The Company did not incur or repay any indebtedness during the month of September. However, the Company entered into the Letter with the Agent regarding the maturity of the Debentures in the March 2021 Offering.

Please refer to response #1 for additional information.

14. Provide details of any securities issued and options or warrants granted.

Security	Number Issued	Details of Issuance	Use of Proceeds
RSUs	3,000,000	Awarded to a director and officer of the Company pursuant to the RSU Plan. Each RSU shall entitle the holder thereof to acquire one Common Share, a cash payment in lieu thereof, or a combination of both, at the sole discretion of the Board. 50% of the RSUs vest on January 31, 2023, with the remainder vesting on January 31, 2024. ¹	N/A

Notes:

(1) Pursuant to a negotiated agreement with on September 22, 2022, the Company has contemplated a future award of 2,000,000 RSUs, or a cash payment in lieu thereof calculated based on an agreed-upon formula, which remains subject to further Board approval, availability under the RSU Plan, and the policies of the CSE. The vesting criteria will be determined at the reasonable discretion of the Board at the time of the award.

15. Provide details of any loans to or by Related Persons.

None noted.

16. Provide details of any changes in directors, officers or committee members.

None noted.

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

The trends and risks which are likely to impact the Company are detailed in the Company's filing statement dated September 14, 2020, under the heading "Risk Factors" in the Company's most recently filed management's discussion and analysis, and in the Company's other public filings, all of which are available under the



Company's SEDAR profile at www.sedar.com, and which are incorporated into this report by reference thereto.

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

The continued global spread of COVID-19 could have an adverse impact on the business, operations and financial results of the Company, including with respect to issues related to labour, processing and supply chain. Molecule is implementing or will implement precautionary measures, which would not have otherwise been implemented prior to the COVID-19 outbreak, at its facility to ensure the safety of its personnel, suppliers and consumers, which may adversely impact Molecule's labour productivity and its supply chains. For example, mandatory or voluntary self-quarantines may limit the staffing of Molecule's facility.

In addition, it's possible that the COVID-19 pandemic may adversely affect Molecule's ability to successfully market and sell its products. Although the opposite may be true, sales volumes of cannabis-infused products may be adversely impacted by consumer "social distancing" behaviours. Continued spread of COVID-19 globally could also lead to a deterioration of general economic conditions including a possible national or global recession. Due to the unpredictability and scale of the effects of COVID-19, Molecule is unable to accurately estimate the impact or level of materiality of COVID-19 on its business, operations or financial results.

An example of the impact of COVID-19 on Molecule's business (and the beverage industry generally) is a shortage of aluminum cans. It's the Company's understanding, and as reported by canning industry experts, that as a result of a change in consumer drinking habits, leading to more beverages being consumed in homes rather than bars and restaurants, there is increased pressure on the aluminum can market.

While the effects of COVID-19 impact the supply chain to a greater or lesser amount depending on both the overall status and local variances, Molecule continues to monitor the situation and respond accordingly. Molecule will also continue to assess any other possible adverse impact on its business and customers on an ongoing basis and to determine which measures, if any, will be taken to mitigate such adverse impact.



Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated: October 6, 2022

"Philip Waddington"

Philip Waddington

Chief Operating Officer and Director

Issuer Details Name of Issuer <i>MOLECULE HOLDINGS INC.</i>	For Month <i>September 2022</i>	Date of Report YY/MM/DD <i>22/10/06</i>
Issuer Address <i>591 Reynolds Road</i>		
City/Province/Postal Code <i>Lansdowne, ON, K0E 1L0</i>	Issuer Fax No. <i>N/A</i>	Issuer Telephone No. <i>1 (888) 665-2853</i>
Contact Name <i>David Reingold</i>	Contact Position <i>President, CEO & Director</i>	Contact Telephone No. <i>1 (888) 665-2853</i>
Email: <i>david@molecule.ca</i>	Website: <i>www.molecule.ca</i>	