

ARROWSTAR RESOURCES LTD.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING

and

MANAGEMENT INFORMATION CIRCULAR

**CONCERNING, AMONG OTHER THINGS, A REVERSE TAKE-OVER INVOLVING
ADASTRA LABS HOLDINGS LTD.**

November 22, 2019

ARROWSTAR RESOURCES LTD.
Suite 2300 – 1177 West Hastings Street
Vancouver, BC V6E 2K3

**ANNUAL GENERAL
AND SPECIAL
MEETING**

2019 Notice of Annual General and Special Meeting of Shareholders

Management Information Circular

Place: Suite 2300, 1177 West Hastings Street
Vancouver, British Columbia, V6E 2K3

Time: 10:00 a.m. (Vancouver time)

Date: Friday, November 22, 2019

ARROWSTAR RESOURCES LTD.

CORPORATE DATA

Head Office

Suite 2300 – 1177 West Hastings Street
Vancouver, BC V6E 2K3

Directors and Officers

Phillip Thomas – President, Chief Executive Officer and Director
Blaine Bailey – Chief Financial Officer and Director
Andrew Jarvis – Director
Stephen Brohman – Director
Betty Anne Loy – Corporate Secretary

Registrar and Transfer Agent

Computershare Investor Services Inc.
3rd Floor, 510 Burrard Street
Vancouver, BC V6C 3B9

Legal Counsel

Gowling WLG (Canada) LLP
550 Burrard Street, Suite 2300, Bentall 5
Vancouver, BC V6C 2B5

Auditor

Davidson & Company LLP
1200 – 609 Granville Street
Vancouver, BC V7Y 1G6

Listing

TSX Venture Exchange (“**TSXV**”)
Symbol “**AWS**”

ARROWSTAR RESOURCES LTD.
Suite 2300 - 1177 West Hastings Street
Vancouver, BC V6E 2K3

NOTICE OF THE 2019 ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the 2019 Annual General and Special Meeting (the “**Meeting**”) of the Shareholders of Arrowstar Resources Ltd. (the “**Company**”) will be held at Suite 2300, 1177 West Hastings Street, Vancouver, British Columbia on Friday, November 22, 2019, at 10:00 a.m. (Vancouver time), for the following purposes:

1. To receive the audited financial statements of the Company for the fiscal year ended December 31, 2018 (with comparative statements relating to the preceding fiscal period) together with the report of the auditors therein;
2. To fix the number of directors at four (4) (the “**Board Resolution**”);
3. To elect directors of the Company (the “**Director Election Resolution**”);
4. To appoint the auditors and to authorize the directors to fix their remuneration (the “**Auditor Resolution**”);
5. To consider and, if thought fit, to pass an ordinary resolution, ratifying and approving the Company’s rolling 10% stock option plan (the “**Rolling Plan Resolution**”), as more particularly described in the accompanying management information circular dated October 21, 2019 (the “**Circular**”);
6. To consider, and if thought appropriate to approve, with or without variation, an ordinary resolution, the full text of which is set forth in the accompanying Circular, to voluntarily delist the common shares of the Company from the TSX Venture Exchange (“**TSXV**”) concurrently with the listing of the common shares on the Canadian Securities Exchange (“**CSE**”) (the “**Delisting Resolution**”), to take effect only in the event that the Share Exchange Agreement (as defined below) is completed (the “**Business Combination**”), as more particularly described in the accompanying Circular;
7. To consider and if thought advisable, to pass, with or without amendment, a resolution (the “**Reverse Take-Over Resolution**”) in the form annexed as Schedule “C” to the Circular, approving a reverse take-over (the “**Reverse Take-Over**”) involving the Company and **Adastra Labs Holdings Ltd.** (“**Adastra**”) substantially in accordance with the terms of a Share Exchange Agreement (the “**Share Exchange Agreement**”) dated August 1, 2019, among the Company, Adastra and the securityholders of Adastra (the “**Vendors**”), the terms of which are more particularly described in the Circular; and
8. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

Accompanying this Notice is the Information Circular, a form of Proxy and a Financial Statements Request Card. The accompanying Information Circular provides information relating to the matters to be addressed at the Meeting and is incorporated into this Notice.

Registered Shareholders

Every registered holder (“**Registered Shareholder**”) of common shares (“**Common Shares**”) at the close of business on October 21, 2019 is entitled to receive notice of, and to vote such Common Shares at the Meeting.

Registered Shareholders who are unable to attend the Meeting in person and who wish to ensure that their Common Shares will be voted at the Meeting are requested to complete, sign and deliver the enclosed form of proxy c/o Proxy Dept., Computershare Investor Services Inc. (“**Computershare**”),

100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1. In order to be valid and acted upon at the Meeting, forms of proxy must be returned to the aforesaid address not less than 2 business days (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment(s) thereof. Further instructions with respect to the voting by Proxy are provided in the form of Proxy and in the Information Circular accompanying this Notice.

Beneficial Shareholders

Shareholders may beneficially own Common Shares that are registered in the name of a broker, another intermediary or an agent of that broker or intermediary ("**Beneficial Shareholders**"). Without specific instructions, intermediaries are prohibited from voting Common Shares for their clients. **If you are a Beneficial Shareholder, it is vital that the voting instruction form provided to you by Computershare, your broker, intermediary or its agent is returned according to the instructions provided in or with such form, sufficiently in advance of the deadline specified, to ensure that they are able to provide voting instructions on your behalf.**

DATED at Vancouver, British Columbia, this 21st day of October 2019.

BY ORDER OF THE BOARD
(signed) "Phillip Thomas"
President and Director

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ARROWSTAR RESOURCES LTD.

**Suite 2300 - 1177 West Hastings Street
Vancouver, BC V6E 2K3**

MANAGEMENT INFORMATION CIRCULAR

(Containing information as at October 21, 2019 unless indicated otherwise)

SOLICITATION OF PROXIES

This management information circular (the "**Information Circular**") is furnished in connection with the solicitation of proxies by the management of Arrowstar Resources Ltd. ("**Arrowstar**" or the "**Company**") for use at the 2019 Annual General and Special Meeting (the "**Meeting**") of shareholders (the "**Shareholders**") of the Company (and any adjournment thereof) to be held on **November 22, 2019** at the time and place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally or by telephone by the directors, officers and regular employees of the Company at nominal cost. All costs of solicitation by management will be borne by the Company.

Every holder of common shares (the "**Common Shares**") at the close of business on October 21, 2019 is entitled to receive notice of, and to vote such Common Shares at the Meeting.

The contents and the sending of this Information Circular have been approved by the directors of the Company.

APPOINTMENT OF PROXYHOLDERS

The individuals named (the "**Management Nominees**") in the accompanying form of proxy (the "**Proxy**") are officers and/or directors of the Company. **IF YOU ARE A SHAREHOLDER ENTITLED TO VOTE AT THE MEETING, YOU HAVE THE RIGHT TO APPOINT A PERSON OR COMPANY OTHER THAN EITHER OF THE PERSONS DESIGNATED IN THE PROXY, WHO NEED NOT BE A SHAREHOLDER, TO ATTEND AND ACT FOR YOU AND ON YOUR BEHALF AT THE MEETING. YOU MAY DO SO EITHER BY STRIKING OUT THE NAMES OF THE MANAGEMENT NOMINEES AND INSERTING THE DESIRED PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE PROXY OR BY COMPLETING AND DELIVERING ANOTHER SUITABLE FORM OF PROXY.** If your Common Shares are held in physical form (i.e., paper form) and are registered in your name, then you are a registered Shareholder. However, if, like most Shareholders, you keep your Common Shares in a brokerage account, then you are a beneficial Shareholder. The manner for voting is different for registered and beneficial Shareholders. The instructions below should be read carefully by all Shareholders.

REVOCAION OF PROXIES

A Shareholder who has given a Proxy may revoke it by an instrument in writing executed by the Shareholder or by his attorney authorized in writing or, where the Shareholder is a corporation, by a duly authorized officer or attorney of the Company, and delivered to the head office of the Company at Suite 2300, 1177 West Hastings Street, Vancouver, British Columbia V6E 2K3, Attention: the President at any time up to and including the last business day preceding the day of the Meeting, or if adjourned, any reconvening thereof, or to the Chairman of the Meeting on the day of the Meeting or, if adjourned, any reconvening thereof or in any other manner provided by law. A revocation of a Proxy does not affect any matter on which a vote has been taken prior to the revocation.

REGISTERED SHAREHOLDERS

Registered Shareholders may wish to vote by Proxy whether or not they are able to attend the Meeting in person. Registered Shareholders electing to submit a Proxy may do so by:

- (a) completing, dating and signing the enclosed form of Proxy and returning it to the Company's transfer agent, Computershare, by mail or by hand to the 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1;
- (b) using a touch-tone phone to transmit voting choices to the toll-free number indicated in the Proxy. Registered Shareholders must follow the instructions of the voice response system and refer to the enclosed Proxy form for the holder's account number and the Proxy control number; or
- (c) using the Internet through the website of the Company's transfer agent at www.investorvote.com. Registered Shareholders must follow the instructions that appear on the screen and refer to the enclosed Proxy form for the holder's account number and the Proxy control number; or
- (d) using a Smartphone by scanning the QR code on the Proxy,

in all cases ensuring that the Proxy is received at least two business days (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment thereof at which the Proxy is to be used.

NON-REGISTERED SHAREHOLDERS

Only Registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most Shareholders of the Company are "non-registered" Shareholders because the Common Shares they own are not registered in their names but are instead registered in the names of a brokerage firm, bank or other intermediary or in the name of a clearing agency. Shareholders who do not hold their Common Shares in their own name (referred to herein as "Beneficial Shareholders") should note that only Registered Shareholders may vote at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in such Shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS Inc. (the registration name for CDS Clearing and Depository Services Inc., which company acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the brokers' clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often the form of Proxy supplied to a Beneficial Shareholder by its broker is identical to the form of Proxy provided by the Company to the Registered Shareholders. However, its purpose is limited to instructing the registered Shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions

respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction form must be returned to Broadridge (or instructions respecting the voting of Common Shares must be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted.**

This Information Circular and accompanying materials are being sent to both Registered Shareholders and Beneficial Shareholders. If you are a Beneficial Shareholder and the Company or its transfer agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. Beneficial Shareholders fall into two categories – those who object to their identity being known to the issuers of securities which they own (“**OBOs**”) and those who do not object to their identity being made known to the issuers of the securities they own (“**NOBOs**”). Subject to the provisions of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of Reporting Issuers* (“**NI 54-101**”) issuers may request and obtain a list of their NOBOs from intermediaries via their transfer agents. Pursuant to NI 54-101, issuers may obtain and use the NOBO list for distribution of proxy-related materials directly (not via Broadridge) to such NOBOs.

By choosing to send these materials to you directly, the Company (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions (the “**VIF**”).

In either case, the purpose of this procedure is to permit Beneficial Shareholders to direct the voting of the Common Shares which they beneficially own. If a Beneficial Shareholder wishes to attend the Meeting or have someone else attend on his behalf, then the Beneficial Shareholder may write the applicable name in the space provided in the VIF, which will grant the Beneficial Shareholder or his nominee the right to attend and vote at the Meeting.

IF YOU ARE A NON-REGISTERED OWNER AND WISH TO VOTE IN PERSON AT THE MEETING, PLEASE REFER TO THE INSTRUCTIONS SET OUT ON THE “REQUEST FOR VOTING INSTRUCTIONS” (“VIF”) THAT ACCOMPANIES THIS INFORMATION CIRCULAR.

The Company has not adopted the notice and access procedure described in NI 54-101 and National Instrument 51-102 – *Continuous Disclosure Obligations* to distribute its proxy-related materials to the registered Shareholders and Beneficial Shareholders. In addition, the Company has not agreed to pay to distribute the proxy-related materials to the OBOs and, unless the intermediaries acting for such OBOs agree to assume the cost of such delivery, OBOs will not receive the proxy-related materials for the Meeting.

All references to Shareholders in this Information Circular and the accompanying form of Proxy and Notice of Meeting are to Registered Shareholders unless specifically stated otherwise.

VOTING OF PROXIES

The Common Shares represented by a properly executed Proxy in favour of persons proposed by Management as proxyholders in the accompanying form of Proxy will:

- (a) be voted or withheld from voting in accordance with the instructions of the person appointing the proxyholder on any ballot that may be taken; and
- (b) where a choice with respect to any matter to be acted upon has been specified in the form of Proxy, be voted in accordance with the specification made in such Proxy.

ON A POLL SUCH COMMON SHARES WILL BE VOTED IN FAVOUR OF EACH MATTER FOR WHICH NO CHOICE HAS BEEN SPECIFIED BY THE SHAREHOLDER.

The enclosed form of Proxy when properly completed and delivered and not revoked confers discretionary authority upon the person appointed Proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the persons designated in the enclosed form of Proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Information Circular, the management of the Company knows of no such amendment, variation or other matter which may be presented to the Meeting.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth below and in this Information Circular, no person who has been a director or executive officer of the Company at any time since the beginning of the last financial year, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of any of the foregoing, has any material interest, directly or indirectly, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon other than the election of directors, the appointment of auditors, the approval of the Rolling Plan Resolution, Delisting Resolution, Reverse Take-Over Resolution, and New Stock Option Plan Resolution.

Certain directors and securityholders of Adastra hold an aggregate of 1,116,580 Common Shares of the Company. On August 1, 2019, the Company entered into the Share Exchange Agreement. See "Particulars of Matters to be Acted Upon – Approval of the Share Exchange Agreement".

Stephen Brohman, who became a director of the Company on September 2, 2014, currently serves as a Chief Financial officer of Adastra and is a securityholder of Adastra. Blaine Bailey, who became Chief Financial Officer of the Company on August 23, 2005 and a director of the Company on February 3, 2014, currently serves as a director of Adastra and is a securityholder of Adastra.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Company consists of an unlimited number of Common Shares without par value.

As at October 21, 2019 (the "**Record Date**") and the date hereof, there were 27,924,921 Common Shares issued and outstanding.

Any holder of Common Shares of record at the close of business on the Record Date who either personally attends the Meeting or who has completed and delivered a form of Proxy in the manner and subject to the provisions described above shall be entitled to vote or to have his/her/its Common Shares voted at the Meeting.

On a show of hands, every holder of Common Shares, who is present and is entitled to vote as a Shareholder or as a representative of one or more corporate Shareholders will have one vote, and on a poll every Shareholder present in person or represented by a Proxy and every person who is a representative of one or more corporate Shareholders, will have one vote for each Common Share registered in that Shareholder's name on the list of Shareholders as at the Record Date, which is available for inspection during normal business hours at the offices of Computershare and will be available at the Meeting. **Shareholders represented by Proxy holders are not entitled to vote on a show of hands.**

To the knowledge of the directors and senior officers of the Company, the following entity beneficially owns, directly or indirectly, or exercises control or direction over, shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company:

Name	No. of Shares	Percentage
Panopus Plc	3,133,333 ⁽¹⁾	11.22%

⁽¹⁾ Panopus Plc is a company controlled by Phillip Thomas, a director and executive officer of the Company. In addition, Panopus Plc also holds 1,208,333 warrants.

ELECTION OF DIRECTORS

The board of directors (the “**Board**”) presently consists of four (4) directors and it is intended to determine the number of directors at four (4) and to elect four (4) directors for the ensuing year. The term of office of each of the present directors expires at the Meeting.

The persons named below will be presented for election at the Meeting as management’s nominees and the persons named in the accompanying form of Proxy intend to vote FOR the election of these nominees as directors. Management does not contemplate that any of these nominees will be unable to serve as a director. Each director elected will hold office until the next annual general meeting of the Company or until his successor is elected or appointed, unless his office is earlier vacated in accordance with the Articles of the Company or the provisions of the *Business Corporations Act* (British Columbia).

In the following table and notes thereto is stated the name of each person proposed to be nominated by management for election as a director, the country in which he is ordinarily resident, all offices of the Company now held by him, his principal occupation, the period of time for which he has been a director of the Company, and the number of Common Shares of the Company beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at the Record Date.

Name, Position, Province or State, and Country of Residence ⁽¹⁾	Principal Occupation and, If Not at Present an Elected Director, Occupation During the Past 5 Years ⁽¹⁾	Service as a Director	Number of Common Shares ⁽²⁾
Phillip Thomas⁽³⁾, BSc, MBusM, MAIG, MAIMVA <i>Director, President and CEO</i> Victoria, Australia	President and CEO of the Company since February 2014; President of Panopus Plc, a Hong Kong geological consulting company and Investment Bank in natural resources since September, 2004; CEO and Director of AIS Resources a lithium brine explorer since 2016; Chairman of the Australasian Institute of Mineral Valuers and Appraisers	since June 13, 2012	3,133,333 ⁽⁴⁾
Blaine Bailey, B.Comm, CPA, CGA <i>Director and CFO</i> British Columbia, Canada	Certified Professional Accountant; Chief Financial Officer of Latin Metals Inc. since June 2015, Cardero Resource Corp. since November 2011, Arrowstar Resources Corp. since July 2005, VR Resources since March 21, 2017, Goldplay Exploration Ltd since March 3, 2018, Velocity Minerals Ltd. since July 21, 2017, Panorama Capital Corp. since December 19, 2018 and Principal of Promaid Services Ltd. since September 2002	since February 3, 2014	846,580 ⁽⁵⁾
Andrew Jarvis⁽³⁾, BBA <i>Director</i> British Columbia, Canada	Businessman and self-employed consultant to the mineral exploration industry since 20017 and a Director of the Company since January 2012	since January 6, 2012	130,000
Stephen Brohman⁽³⁾, CPA, CA <i>Director</i> British Columbia, Canada	Chartered Professional Accountant; former President, Chief Executive Officer and a director of SG Spirit Gold Inc., former Chief Financial Officers Dolly Varden Silver Corp., and former Chief Financial Officer and Director of Silver Viper Minerals Corp., all TSXV-listed mineral exploration companies, Founder of Oaksid Advisory Ltd., a management services company, since April, 2014	since September 2, 2014	270,000

Notes:

- (1) The information as to province or state and country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors individually.
- (2) The information as to shares beneficially owned or over which a director exercises control or direction, not being within the knowledge of the Company, has been furnished by the respective directors individually.
- (3) Denotes member of the Audit Committee.
- (4) These shares are held by Panopus Plc, a company controlled by Mr. Thomas.
- (5) 500,000 of these shares are held by Promaid Services Inc., a company of which Mr. Bailey is a principal.

CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

On May 8, 2014, a cease trade order was issued against the Company by the British Columbia Securities Commission (the “**BCSC**”) pursuant to Section 164 of the *Securities Act* (British Columbia), for failure to file the audited financial statements, MD&A and certifications for the fiscal year ended December 31, 2013. The current directors and officers of the Company were directors and officers of the Company at the time that the cease trade order was issued. The cease trade order was revoked on August 6, 2014.

Stephen John Brohman was a director of Wolfeye Resource Corp. (“**Wolfeye**”) effective September 24, 2013. Prior to joining the board Wolfeye was subject to a cease trade order issued on August 7, 2013 and revoked by the BCSC on September 26, 2013 for failure to file year-end financial statements and MD&A.

Stephen John Brohman is the Chief Financial Officer of Gelum Capital Ltd. (“**Gelum**”) effective January 25, 2019. Prior to joining as officer of Gelum they were subject to a cease trade order issued on September 4, 2018 and revoked by the BCSC/OSC on August 6, 2019 for failure to file year-end financial statements and MD&A.

Andrew Jarvis was the Secretary and a Director of Westmont Resources Inc. (“**Westmont**”) when it was issued a cease trade order by the BCSC, pursuant to the newly-implemented National Instrument 51-509, on June 12, 2009 for failure to file certain documents. Westmont was in a very difficult financial position, barely afloat at a time when the financial markets were in meltdown and crisis, and it did not have adequate funding to handle the financial burden of the additional compliance requirements. Mr. Jarvis resigned from the positions of Secretary and Director on October 13, 2009.

Blaine Bailey’s management cease trade order (“**MCTO**”) through his association with GEODEX Minerals Ltd. which was subject to a MCTO resulting from a failure to file year-end financial statements and MD&A pursuant to section 13.6 in the listing statement. The MCTO was issued on July 30, 2015 and revoked by the BCSC on September 22, 2015.

Blaine Bailey was Chief Financial Officer of the Company when it was issued a cease trade order by the BCSC, pursuant to Section 164 of the *Securities Act* (British Columbia) on December 20, 2007 for failure to file a technical report within the required time period. A technical report was required in connection with the Company’s Erdenetsog coal project, located in Altanshiree Soum, Mongolia. In its news release dated October 31, 2007, the Company announced a new current coal mineral resource estimate on its Erdenetsog property. The announcement triggered the requirement to file a technical report within 45 days. The revocation for the cease trade order was lifted on June 4, 2009 and the Common Shares commenced trading on the TSXV on August 12, 2009.

Blaine Bailey was Chief Financial Officer of Qumana Software Inc. (formerly, Thoughtshare Communications Inc.) which was subject to cease trade orders issued by the BCSC and the Alberta Securities Commission (“**ASC**”) in September and October 2003, respectively, for failing to file financial statements. The required financial statements were subsequently filed and revocation orders from the BCSC and the ASC were issued in August 2005. Qumana Software Inc. was subject to cease trade orders issued by the BCSC and the ASC in August 2007 and January 2008, respectively, for failing to file financial statements. These cease trade orders remain in effect.

Blaine Bailey was Chief Financial Officer of Golden Arch Resources Ltd. on October 25, 2009 when it was placed into receivership. Abakhan & Associates was appointed by the Court as the receiver and manager.

Other than as disclosed above, none of the proposed directors (or any of their personal holding companies) of the Company:

- (a) is, as at the date of this Information Circular, or has been, within ten years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that:
 - (i) was subject of an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer in the company and which resulted from an event that occurred while the proposed director was acting in the capacity as director, executive officer or chief financial officer; or
- (b) is as at the date of this Information Circular or has been within the 10 years before the date of this Information Circular, a director or executive officer of any company, including the Company, that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager as trustee appointed to hold the assets of that individual.

None of the proposed directors (or any of their personal holding companies) has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

AUDIT COMMITTEE

Under National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”), venture issuers must include in their management information circular the disclosure required by Form 52-110F2 – *Disclosure by Venture Issuers* with respect to their audit committee, including the text of the audit committee’s charter, composition of the audit committee and the fees paid to the external auditor. This information is set out in the attached Schedule A.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

For the purposes of this Information Circular, a Named Executive Officer (“NEO”) of the Company means each of the following individuals:

- (a) a chief executive officer (“CEO”) of the Company;
- (b) a chief financial officer (“CFO”) of the Company;
- (c) each of the Company’s three most highly compensated executive officers of the Company including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 as determined in accordance with subsection 1.3(6) of Form 51-102F6, for the fiscal year ended December 31, 2018; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company or its subsidiaries, nor acting in a similar capacity at the fiscal year ended December 31, 2018.

The Company currently has two NEOs: Phillip Thomas, the President and CEO; and Blaine Bailey, the CFO.

Director and NEO Compensation, Excluding Compensation Securities

The following table details all compensation paid to the Company’s NEOs and directors for the completed fiscal years ended December 31, 2017 and 2018. For the information concerning compensation related to previous years, please refer to the Company’s previous Management Proxy Circulars available on the Company’s profile at www.sedar.com.

TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES

Name and position	Year ⁽¹⁾	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of Perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Phillip Thomas <i>President, CEO and Director</i>	2018	138,215 ⁽²⁾	NIL	NIL	NIL	NIL	138,215
	2017	NIL ⁽²⁾	NIL	NIL	NIL	NIL	NIL
Blaine Bailey <i>CFO and Director</i>	2018	64,000 ⁽³⁾	NIL	NIL	NIL	NIL	64,000
	2017	42,000 ⁽³⁾	NIL	NIL	NIL	NIL	42,000
Andrew Jarvis <i>Director</i>	2018	NIL	NIL	NIL	NIL	NIL	NIL
	2017	NIL	NIL	NIL	NIL	NIL	NIL
Stephen Brohman <i>Director</i>	2018	27,000 ⁽⁴⁾	NIL	NIL	NIL	NIL	27,000
	2017	NIL	NIL	NIL	NIL	NIL	NIL

Notes:

- (1) Year ended December 31.
- (2) Paid to Panopus Plc, a company controlled by Mr. Thomas.
- (3) Paid to Promaid Services Ltd., a company controlled by Mr. Bailey.
- (4) Paid to Oakside Advisory Ltd., a company controlled by Mr. Brohman.

External Management Companies

The Company does not retain an external management company to provide executive management services.

Stock Options and Other Compensation Securities

The following table sets out all compensation securities granted or issued to all named executive officers and directors by the Company or any of its subsidiaries during the fiscal year ended December 31, 2018 for services provided or to be provided, directly or indirectly, to the Company or any of its subsidiaries.

Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security on date of grant (\$)	Closing Price of Security on date at year end (\$)	Expiry Date
Phillip Thomas ⁽¹⁾ <i>President, CEO and Director</i>	Stock options	Nil	N/A	N/A	N/A	N/A	N/A
Blaine Bailey ⁽²⁾ <i>CFO and Director</i>	Stock Options	Nil	Nil	N/A	N/A	N/A	N/A
Andrew Jarvis ⁽³⁾ <i>Director</i>	Stock options	Nil	N/A	N/A	N/A	N/A	N/A
Stephen Brohman ⁽⁴⁾ <i>Director</i>	Stock options	Nil	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) As at December 31, 2018, Phillip Thomas held stock options exercisable into 425,000 common shares at a price of \$0.125 per share, and expiring on June 24, 2021.
- (2) As at December 31, 2018, Blaine Bailey held stock options exercisable into 350,000 common shares at a price of \$0.125 per share, and expiring on June 24, 2021.
- (3) As at December 31, 2018, Andrew Jarvis held stock options exercisable into 175,000 common shares at a price of \$0.125 per share, and expiring on June 24, 2021.
- (4) As at December 31, 2018, Stephen Brohman held stock options exercisable into 175,000 common shares at a price of \$0.125 per share, and expiring on June 24, 2021.

All of these options were cancelled effective May 22, 2019.

Exercise of Compensation Securities by Directors and NEOs

During the fiscal years ended December 31, 2018, there were no compensation securities which were exercised by the directors and NEOs.

Stock Option Plans and Other Incentive Plans

Shareholders approved the stock option plan (the “Plan”) at the annual general meeting held on October 24, 2018. The Plan conforms to the revised provisions of the a TSXV Policy 4.4 – *Incentive Stock Options*. The Plan is a “rolling” stock option plan whereby a maximum of 10% of the issued shares of the Company, from time to time, may be reserved for issuance pursuant to the exercise of options. The TSXV requires listed companies that have “rolling” stock option plans in place receive shareholder approval of such plans on a yearly basis at the Company’s annual general meeting. Accordingly, Shareholders will be asked at the Meeting to ratify and approve the Plan.

The principal purposes of the Plan are to provide the Company with the advantages of the incentive inherent in share ownership on the part of Directors, Employees and Consultants of the Company and its

subsidiaries responsible for the continued success of the Company and its subsidiaries; to create in such Persons a proprietary interest in, and a greater concern for, the welfare and success of the Company and its subsidiaries; to encourage such Persons to remain with the Company or its subsidiaries; and to attract new Directors, Employees and Consultants to the Company and its subsidiaries.

As permitted by the policies of the TSXV, the Plan provides for a floating maximum limit of 10% of the outstanding Common Shares. As at the date of this Information Circular, the floating maximum available under the Plan represents 2,792,921 Common Shares, of which there are no options currently issued and 2,792,921 are reserved and available for issuance under the Plan.

The material terms of the Plan are as follows:

1. The term of any Options granted under the Plan will be fixed by the Board at the time such Options are granted, provided that options will not be permitted to exceed a term of ten years.
2. The exercise price of any Optioned Share under an Option shall be determined by the Board, in its sole discretion, at the time the Option is granted but such price shall not be less than the Discounted Market Price.
3. No vesting requirements will apply to options granted under the Plan other than as required by TSXV policies; however, a four-month hold period will apply to all Common Shares if options are granted at an exercise price which is a discount to the Market Price, each option is subject to a four-month hold period, commencing from the date of grant.
4. All options will be non-assignable and non-transferable.
5. The number of Common Shares under each option will be determined by the Board provided that the aggregate maximum number of Common Shares reserved for issuance pursuant to options granted during any twelve (12) month period to:
 - (a) insiders may not exceed 10% of the total issued and outstanding Common Shares of the Company at the time of grant unless approval by the Disinterested Shareholders (as defined below) has been obtained in accordance with the policies of the TSXV;
 - (b) subject to (c) below, any one Person may not exceed 5% of the total issued and outstanding Common Shares (unless approval by the Disinterested Shareholders has been obtained);
 - (c) any one Consultant may not exceed 2% of the total issued and outstanding Common Shares at the date of such grant; and
 - (d) any one Person engaged in Investor Relations Activities for the Company may not exceed 2% of the total issued and outstanding Common Shares of the Company and must vest in stages over a 12-month period with no more than 1/4 of the Options vesting in any three-month period;

in each case calculated as at the date of grant of the Option, including all other shares under Option to such Person at that time.

6. Approval by the Disinterested Shareholders must be obtained for: (i) any reduction in the exercise price of an outstanding option, if the option holder is an insider; (ii) any grant of options to insiders, within a 12-month period, exceeding 10% of the Company's issued Common Shares; and (iii) any grant of options to any one individual, within a 12-month period, exceeding 5% of the Company's issued Common Shares.
7. If there is a takeover bid made for all or any of the issued and outstanding Common Shares, then all outstanding Options, whether fully-vested and exercisable or remaining subject to vesting

provisions or other limitations on exercise, shall become exercisable in full to enable the Optioned Shares to be issued and tendered to such bid, subject to prior written approval of the TSXV.

8. The exercise price and the number of Common Shares which are subject to an Option may be adjusted from time to time for share dividends, and in the event of recapitalization, subdivision, consolidation, arrangement, amalgamation reorganization or change in the capital structure of the Company then on each exercise of the Option which occurs following such events, the Optionee shall instead receive the number and kind of shares or other securities of the Company or other company into which such Option Share would have been changed or for which such Option Share would have been exchanged if it had been outstanding on the date of such event and the exercise price will be similarly adjusted so that the aggregate price to exercise the Option is preserved.
9. Options can only be exercised by the Optionee as long as the Optionee remains an eligible Optionee pursuant to the Plan or within a period of not more than 90 days after ceasing to be an eligible Optionee (30 days in the case of a person engaged in Investor Relations Activities).
10. In the event of death of an Optionee, the Optionee's heirs or administrators may exercise any portion of such Optionee's outstanding Option until the earlier of one year following the date of the Optionee's death or the expiry of the Option Period.
11. In the event that the Optionee shall cease to be a Director, Employee or Consultant by reason of such Optionee's disability, any Options held by such Optionee that could have been exercised immediately prior to such cessation shall be exercisable by such Optionee, or by his Guardian for a period of 30 days following the date of such cessation. If such Optionee dies within that 30-day period, any Option held by such Optionee that could have been exercised immediately prior to his or her death shall pass to the Qualified Successor to such Optionee, and shall be exercisable by the Qualified Successor until the earlier of 30 days following the death of such Optionee and the expiry of the Option Period.
12. Employment shall be deemed to continue intact during any military or sick leave or other bona fide leave of absence if the period of such leave does not exceed 180 days or, if longer, for so long as the Optionee's right to re-employment with the Company or its subsidiary is guaranteed either by statute or by contract. If the period of such leave exceeds 180 days and the Optionee's re-employment is not so guaranteed, then the Optionee's employment shall be deemed to have terminated on the 181st day of such leave.
13. In the event an Optionee shall cease to be a Director, Employee or Consultant of the Company for termination for cause, the Option shall terminate and shall cease to be exercisable upon such termination for cause.

"Approval by the Disinterested Shareholders" means approval by a majority of votes cast by all Shareholders at the Meeting, excluding votes attached to Common Shares beneficially owned by Insiders of the Company to whom Options may be granted pursuant to the Plan and their associates in accordance with the policies of the TSXV.

Employment, Consulting & Management Agreements

Blaine Bailey, a Director and CFO has a consulting agreement with the Company for a monthly fee of \$3,500. The term of the contract is for six months and is automatically renewed unless the Company or the Consultant gives written notice of termination, not less than 30 days prior to expiry date.

Oversight and Description of Director and NEO Compensation

The Company's NEO and director compensation is determined by the Board of directors as a whole (the **"Board"**). The Board evaluates the consulting fees paid to its NEOs on a regular basis, and, in such

evaluation compares the fees paid to the NEOs with the rates of other consultants that provide similar services. A peer group is not used to determine compensation.

Except as disclosed herein, the Company has no arrangements, standard or otherwise, pursuant to which directors are compensated by the Company for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as consultant or expert during the most recently completed financial year or subsequently, up to and including the date of this Information Circular. None of such compensation is tied to any performance criteria or goals.

Pension Arrangements

The Company does not have any pension arrangements in place for the NEOs and directors.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information regarding compensation plans under which securities of the Company are authorized for issuance in effect as of the fiscal year ended December 31, 2018.

EQUITY COMPENSATION PLAN INFORMATION

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Plan Category	(a)	(b)	(c)
Equity Compensation Plans Approved By Shareholders	Nil	N/A	2,792,492
Equity Compensation Plans Not Approved By Shareholders	N/A	N/A	N/A
Total:	Nil	N/A	2,792,492

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

At any time during the Company's last completed financial year, no director, executive officer, employee, proposed management nominee for election as a director of the Company nor any associate of any such director, executive officer, or proposed management nominee of the Company or any former director, executive officer or employee of the Company or any of its subsidiaries is or has been indebted to the Company or any of its subsidiaries or is or has been indebted to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, other than routine indebtedness.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

The British Columbia Securities Commission has issued guidelines on corporate governance disclosure for venture issuers as set out in Form 58-101F2 and requires full and complete annual disclosure of listed companies' systems of corporate governance with reference to such guidelines (the "Guidelines"). Where a corporation's corporate governance system differs from the Guidelines, each difference and the reason for the difference is required to be disclosed. The Company's approach to corporate governance is set out in Schedule B.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

An “informed person” means: (a) a director or executive officer of the Company; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company; (c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Company or a combination of both carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the Company other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Company itself if it has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

The following payments were made to informed persons of the Company since January 1, 2018 (being the commencement of the Company’s last completed financial year):

<u>2018</u>	
Consulting fees paid to Messrs. Jarvis, Bailey, Brohman and Thomas	\$229,215

Certain securityholders and directors of Adastra hold 1,116,580 Common Shares of the Company. On August 1, 2019 the Company and Adastra entered into the Share Exchange Agreement. See “Particulars of Matters to be Acted Upon – Approval of Share Exchange Agreement and Reverse Take-Over”.

Stephen Brohman, who became a director of the Company on September 2, 2014, currently serves as the Chief Financial Officer of Adastra and is a securityholder of Adastra. Blaine Bailey, who became Chief Financial Officer of the Company on August 23, 2005 and a director of the Company on February 3, 2014 currently serves as a director of Adastra and is a securityholder of Adastra.

Other than as set forth above and in this Information Circular and other than transactions carried out in the ordinary course of business of the Company or any of its subsidiaries, none of the directors or executive officers of the Company, a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company, nor any Shareholder beneficially owning, directly or indirectly, Common Shares of the Company, or exercising control or direction over Common Shares of the Company, or a combination of both, carrying more than 10% of the voting rights attached to the outstanding shares of the Company nor an associate or affiliate of any of the foregoing persons has, since January 1, 2018, had any material interest, direct or indirect, in any transactions which materially affected or would materially affect the Company or any of its subsidiaries.

APPOINTMENT OF AUDITORS

Unless such authority is withheld, the persons named in the accompanying Proxy intend to vote for the appointment of Davidson & Company LLP, Chartered Professional Accountants, as auditors of the Company and to authorize the directors to fix their remuneration.

An ordinary resolution for the appointment of the auditors must be passed by a simple majority (>50%) of the votes cast at the Meeting by the Shareholders entitled to vote who are represented in person or by Proxy at the Meeting.

MANAGEMENT CONTRACTS

The management functions of the Company are substantially performed by the directors and officers of the Company, and not to any substantial degree by any other person with whom the Company has contracted.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

STOCK OPTION PLAN

The Plan is subject to annual shareholder approval and TSXV acceptance to its filing. Shareholders will be asked at the Meeting to consider, and if thought fit, approve an ordinary resolution ratifying and approving the Plan for the ensuing year.

At the Meeting, Shareholders will be asked to vote on the following ordinary resolution, with or without variation affirming:

“RESOLVED as an ordinary resolution, that:

- (a) the Stock Option Plan, as described in the Company's Information Circular dated October 21, 2019 and as available for review at the Company's annual general and special meeting held on November 22, 2019 be and is hereby ratified, approved and confirmed, subject to acceptance by the CSE;
- (b) the number of Common Shares of the Company reserved for issuance under the Stock Option Plan shall be no more than 10% of the Company's issued and outstanding share capital at the time of any stock option grant;
- (c) the Board be authorized and directed to make any changes to the Stock Option Plan, if required by the CSE;
- (d) any director or officer of the Company is hereby authorized and directed for and in the name of and on behalf of the Company to execute or cause to be executed, whether under corporate seal of the Company or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in connection with the foregoing.”

In the absence of any contrary directions, it is the intention of management to vote proxies in the accompanying form in favour of the foregoing ordinary resolution.

An ordinary resolution must be passed by a simple majority of 50% plus one of the votes cast at the Meeting by the Shareholders entitled to vote who are represented in person or by proxy at the Meeting.

A copy of the Plan may be inspected at the head office of the Company, Suite 2300 – 1177 West Hastings Street, Vancouver, B.C., during normal business hours and at the Meeting. In addition, a copy of the Plan will be mailed, free of charge, to any holder of Common Shares who requests a copy in writing from of the Company. Any such requests should be mailed to the Company, at its head office, to the attention of the President.

PROPOSED VOLUNTARY DELISTING FROM TSX VENTURE EXCHANGE AND LISTING ON THE CANADIAN SECURITIES EXCHANGE

The Common Shares of the Company are listed for trading on the TSX Venture Exchange (the “**TSXV**”). In connection with the Business Combination, the Company deems it advisable and in the best interest of shareholders that it voluntarily delists its Common Shares from the TSXV (the “**Delisting**”) and seek a listing of its Common Shares on the Canadian Securities Exchange (“**CSE**”). Delisting from the TSXV is subject to the Company complying with the procedures in TSX Venture Policy 2.9, receipt of approval from the TSXV and acceptance of the proposed listing by the CSE.

The shareholders of the Company are being asked to approve, with or without amendment, an ordinary resolution (the “**Delisting Resolution**”) in the form set out below to authorize the delisting of Common

Shares from TSXV and concurrent listing of Common Shares on the CSE. The Delisting will only be implemented in the event that the Business Combination is successfully completed.

To be approved, the Delisting requires the affirmative vote of the “majority of the minority shareholder approval” obtained in accordance with the requirements of the policies of the TSXV and Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions (“**MI 61-101**”), being at least a majority of the votes cast by shareholders on the Delisting at the Meeting excluding votes attaching to Common Shares that are beneficially owned or over which control or direction is exercised by the issuer, an “interested party”, a “related party” of the interested party or a “joint actor” (all as defined in MI 61-101), whether in person or by proxy.

As such, the Company will seek approval of the Delisting from a majority of votes cast by shareholders at the Meeting, excluding votes attached to Common Shares that are beneficially owned or over which control or direction is exercised by the issuer, an “interested party”, a “related party” of the interested party or a “joint actor” (all as defined in MI 61-101) (collectively, the “**Excluded Shareholders**”).

Based on the above, to the knowledge of the Company after reasonable inquiry, as at the date hereof, the Excluded Shareholders that are required to be excluded for purposes of “minority approval” in accordance with MI 61-101:

Shareholder	Approximate Number of Common Shares	Percentage of Common Shares
Panopus Plc ⁽¹⁾	3,133,333	11.2%
Blaine Bailey ⁽²⁾	846,580	3.03%
Stephen Brohman	270,000	0.96%
Andrew Jarvis	130,000	0.47%
Total	4,379,913	3.04%

Note:

- (1) Panopus Plc is a company controlled by Phillip Thomas, a director and executive officer of the Company.
- (2) 500,000 common shares are held by Promaid Services Ltd. of which Blaine Bailey is principal.

Since the Delisting is a “business combination” under MI 61-101, it is subject to a valuation requirement. With respect to the formal valuation requirement, the Corporation intends to rely upon the exemption from the requirement to obtain a formal valuation for the Delisting under MI 61 101 set forth in section 5.5(b) – Issuer Not Listed on Specified Markets which requires that none of the securities of the Company be listed or quoted on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc. This exemption is available to the Company as its Common Shares are listed only on the TSXV.

In accordance with TSXV policy, the Delisting Resolution must be approved by the majority of the minority votes cast by shareholders. The shareholders of the Company will be requested at the Meeting to approve the Delisting by passing the following Delisting Resolution, which requires approval of a majority of the minority shareholders who, being entitled to do so, vote, in person or by proxy on the Listing Resolution at the Meeting:

“RESOLVED AS AN ORDINARY RESOLUTION OF THE MAJORITY OF THE MINORITY SHAREHOLDERS THAT:

- 1. the Company is hereby authorized to voluntarily delist its common shares from the TSX Venture Exchange, subject to the listing of the common shares of the Company on the Canadian Securities Exchange (“**CSE**”), and to apply for such listing on the CSE;

2. any one or more directors and officers of the Company be authorized and directed to perform all such acts, deeds and things and execute, under the seal of the Company or otherwise, all such documents and other writings as may be required to give effect to the true intent of this resolution; and
3. notwithstanding that this resolution has been passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to not proceed with the matters contemplated by or in connection with the Delisting Resolution without any further approval of the shareholders of the Company.”

THE DELISTING RESOLUTION WILL ONLY BE IMPLEMENTED IN THE EVENT THAT THE BUSINESS COMBINATION IS SUCCESSFULLY COMPLETED

The Board of Directors (the “**Board**”) has unanimously approved the Delisting Resolution and recommends that shareholders vote FOR the Delisting Resolution. The persons named in the enclosed form of proxy intend to vote FOR the approval of the Delisting Resolution at the Meeting unless the Shareholder has specified that the Common Shares represented by such proxy are to be voted against such resolution.

APPROVAL OF SHARE EXCHANGE AGREEMENT AND REVERSE TAKE-OVER

On August 1, 2019, the Company and Adastra entered into the Share Exchange Agreement pursuant to which Arrowstar shall purchase from the Adastra Shareholders all of the Class A Voting common shares of Adastra held by the Adastra Shareholders (the “**Adastra Shares**”), representing all of the issued and outstanding shares of Adastra.

The Share Exchange Agreement is conditional upon, among other matters, Minority Shareholder Approval (as defined herein) being obtained at the Meeting. The terms of the Share Exchange Agreement and the approvals required are described in more detail under the heading “Regulatory Matters and Required Shareholder Approval”.

BACKGROUND TO THE REVERSE TAKE-OVER

In the Spring of 2019, management of the Company was approached by Adastra with a view to negotiating an agreement which would facilitate Adastra becoming a wholly owned subsidiary of the Company. The Company conducted negotiations with Adastra over a period of months. Following these negotiations, on June 13, 2019, the Company and Adastra entered into a non-binding letter of intent (the “**Letter of Intent**”) setting out the terms and conditions of the Reverse Take-Over and granting each other access to certain confidential information and the opportunity to conduct due diligence. On August 8, 2019, the Company issued a press release announcing the signing of the Letter of Intent.

REVIEW AND APPROVAL PROCESS

At a meeting of the Company’s Board, management presented the material terms of the Acquisition. At that meeting, the Board resolved to pursue the Acquisition, and management subsequently presented to Adastra a draft letter of intent. The Board determined it was not necessary to strike a special committee to consider the Acquisition, as only two directors, none of whom was or represented an “interested party” (as defined by Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”)) in the Share Exchange Agreement, were eligible to participate in the Board’s vote thereon.

The Board held further meetings and discussions and considered the fairness of the Acquisition and determined it to be in the best interests of the Shareholders.

The Board, with Stephen Brohman and Blaine Bailey abstaining from voting, unanimously determined, acting in good faith, that:

- (a) The Acquisition is in the best interests of the Company; and
- (b) the Acquisition will not adversely affect the financial position of the Company.

SUMMARY OF THE REVERSE TAKE-OVER

Upon completion of the Reverse Take-Over, Arrowstar's business will be that of a cannabis testing company and [licensed'] cannabis extraction and distributor of cannabis extracts. In order to effect the Reverse Take-Over, Arrowstar, Adastras and Adastras's securityholders entered into the Share Exchange Agreement.

The Share Exchange Agreement provides that prior to the closing of the Reverse Take-Over, all the Adastras warrants will be converted into Adastras Shares, so that 81,138,333 Adastras Shares will be then issued and outstanding.

The Share Exchange Agreement also provides that at the closing of the Reverse Take-Over, (i) Arrowstar will acquire all of the foregoing 81,138,333 Adastras Shares in exchange for 81,138,333 million Arrowstar Shares, on the basis of one (1) Arrowstar Shares for every Adastras Share, as a result of which Adastras will be a wholly-owned subsidiary of Arrowstar, and the securityholders of Adastras will hold an aggregate of 81,138,333 million Arrowstar Shares; and (ii) Arrowstar will change its corporate name to "Adastras Labs Holdings Ltd." referred to in this Circular as "New Adastras".

At the closing of the Reverse Take-Over, all Arrowstar Warrants then issued and outstanding will remain unchanged and in effect as per their initial terms of issuance.

There are outstanding Arrowstar Warrants entitling their holders to purchase an aggregate of 7,596,000 Arrowstar Shares (7,480,500 Arrowstar Shares in respect to common share purchase warrants of Arrowstar at exercise prices ranging from \$0.15 to \$0.20 per warrant share and with expiry dates ranging from February 20, 2020 to April 26, 2020; and 115,500 Arrowstar Shares in respect to non-transferable broker common share purchase warrants of Arrowstar entitling their holders to purchase an aggregate of 115,500 Arrowstar Shares at an exercise price of \$0.20 per warrant share expiring April 26, 2020).

As the Reverse Take-Over constitutes a "Reverse Takeover" under the policies of the TSXV, Arrowstar Shareholder approval is required under such policies. The Reverse Take-Over Resolution is annexed to this Circular as Schedule "C". Completion of the Reverse Take-Over is conditional, among other things, upon completion of the New Adastras Private Placement. Upon completion of the Reverse Take-Over, New Adastras will carry on business as a cannabis testing company and licensed cannabis producer and distributor of cannabis extracts.

Arrowstar Financing

It is a condition to the Share Exchange Agreement that prior to the closing of the completion of the Reverse Take Over, Arrowstar will complete an equity offering (the "**Concurrent Financing**") to raise \$500,000, such Concurrent Financing to consist of 10,000,000 common shares (the "**Offering Shares**") at a price of Cdn.\$0.05 per Offering Share, or such other terms as Arrowstar and Adastras may agree, mutually in writing.

Name Change

It is a condition to the Share Exchange Agreement that prior to the closing of the completion of the Reverse Take-Over, Arrowstar will use its best efforts to undertake a change of name of Arrowstar to a name chosen by Adastras and agreed to by Arrowstar and the regulatory authorities. It is anticipated that Arrowstar will be renamed "Adastras Labs Holdings Ltd." following completion of the Reverse Take-Over. On completion of the Transaction, the business of the Company will, through its subsidiaries, be the

business carried on by Adastra. Management believes that the Name Change is in the best interests of the Company in order to reflect the change in its business activities.

THE SHARE EXCHANGE AGREEMENT

The following discussion of the Share Exchange Agreement is intended to provide a general review and summary only.

Consideration

On August 1, 2019, the Company and Adastra entered into the Share Exchange Agreement pursuant to which Arrowstar shall purchase from the Adastra Shareholders all of the class A Voting common shares of Adastra held by the Adastra Shareholders (the “**Adastra Shares**”), representing all of the issued and outstanding shares of Adastra.

The Share Exchange Agreement provides that prior to the closing of the Reverse Take-Over, all the Adastra warrants will be converted into Adastra Shares, so that 81,138,333 Adastra Shares will be then issued and outstanding, and that at the closing of the Reverse Take-Over, (i) Arrowstar will acquire all of the foregoing 81,138,333 Adastra Shares in exchange for 81,138,333 million Arrowstar Shares, on the basis of one (1) Arrowstar Shares, for every Adastra Share, as a result of which Adastra will be a wholly-owned subsidiary of Arrowstar, and the securityholders of Adastra will hold an aggregate of 81,138,333 million Arrowstar Shares; and (ii) Arrowstar will change its corporate name to “Adastra Labs Holdings Ltd.”

Representations and Warranties

The Share Exchange Agreement contains, among other things, customary representations and warranties for transactions of this nature, including representations and warranties that Arrowstar, Adastra and Adastra’s securityholders are in compliance with all applicable laws and are otherwise legally capable of entering into the Share Exchange Agreement and completing the Reverse Take-Over.

In addition, the Share Exchange Agreement contains the following additional representations and warranties of Arrowstar and the Vendors:

- (a) the Vendor has good and sufficient right and authority to enter into the Share Exchange Agreement and to carry out his, her or its obligations under the Share Exchange Agreement on the terms and conditions set forth therein, and the Share Exchange Agreement is a binding agreement on him, her or it enforceable against him, her or it in accordance with its terms and conditions;
- (b) the Adastra Shares registered in the names of the Vendors are beneficially owned by the Vendor, free and clear of all voting restrictions, liens, charges or encumbrances of any kind whatsoever, and the Vendor has the full authority to sell his, her or its Adastra Shares to Arrowstar; and
- (c) to the extent that they might prevent the Vendor from meeting his, her or its obligations under the Share Exchange Agreement, there are no outstanding or pending actions, suits, judgments, investigations or proceedings of any kind whatsoever against or affecting him, her or it at law or in equity or before or by any federal, provincial, state, municipal or other governmental department, commission, board, bureau or agency of any kind whatsoever, nor are there, to the best of his, her or its knowledge, any pending or threatened.

Mutual Covenants

Under the Share Exchange Agreement, Aداstra and the Vendors covenanted and agreed, among other things, to:

- (a) from and including the effective date through to the time of closing permit Arrowstar, through its directors, officers, employees and authorized agents and representatives full access to Aداstra's books, records and property including, without limitation, all of the assets, and contracts of Aداstra, so as to permit Arrowstar to make due diligence investigation as Arrowstar deems necessary;
- (b) provide to Arrowstar all such further documents, instruments and materials and do all such reasonable acts and things as may be required by Arrowstar to obtain any required regulatory approval of the Reverse Take-Over;
- (c) from and including the effective date through to and including the time of closing, preserve and protect the goodwill, assets, business and undertaking of Aداstra and, without limiting the generality of the foregoing, carry on the business of Aداstra in a reasonable and prudent manner;
- (d) except as may be required by a stock exchange or other trading facility or by any rule, regulation or law of any kind which is applicable to them, while the Share Exchange Agreement is in effect and for a period of two years thereafter, keep confidential all discussions, documents and communications between the parties regarding material undisclosed proprietary or confidential information; and
- (e) not negotiate with any other person in respect of a purchase and sale of any of the Aداstra Shares or any part of the assets of Aداstra, other than in the ordinary course of business,

Under the Share Exchange Agreement, Arrowstar covenanted and agreed, among other things, to:

- (a) from and including the effective date through to the time of closing permit the Vendors, themselves and through their authorized agents and representatives full access to Arrowstar's property, books and records including, without limitation, all of the assets, contracts and minute books of Arrowstar, so as to permit the Vendors' representatives to make such due diligence investigation of Arrowstar as the Vendors deem necessary;
- (b) use its best efforts to obtain all requisite approvals for the Share Exchange Agreement and the transactions contemplated thereunder as soon as is reasonably possible, including the approval of the shareholders of Arrowstar to the Share Exchange Agreement, the delisting from the TSXV, and the conditional listing on the CSE;
- (c) use its best efforts to obtain shareholder approval for the transactions contemplated hereunder and the change of name of Arrowstar to a name chosen by Aداstra and agreed to by Arrowstar, provided such name is acceptable to the CSE and the British Columbia Registrar of Companies;
- (d) from and including the effective date through to and including the time of closing, do all such acts and things necessary to preserve and protect the CSE listing; and
- (e) except as may be required by a stock exchange or other trading facility or by any rule, regulation or law of any kind which is applicable to it, while the Share Exchange Agreement is in effect and for a period of two years thereafter, keep confidential all discussions, documents and communications between the parties regarding material undisclosed proprietary or confidential information.

Additional Conditions Precedents

The Share Exchange Agreement provides that the obligations of Arrowstar to complete the transactions contemplated by the Share Exchange Agreement are further subject to the satisfaction or waiver of the additional conditions precedent, each of which are for the exclusive benefit of Arrowstar:

- (a) on or before the time of closing, Arrowstar shall have been able to complete the Arrowstar investigation to its reasonable satisfaction;
- (b) at the time of closing, the directors of AdastrA shall consist of Andy Hale, Blaine Bailey, Stephen Brohman and George Routhier;
- (c) as of the time of closing, the Vendors and AdastrA shall have complied with all of their respective covenants and agreements contained in the Share Exchange Agreement in all material respects; and
- (d) as of the time of closing, the representations and warranties of AdastrA and the Vendors or any one of them referred shall be completely true as if such representations and warranties had been made by AdastrA and the Vendors as of the time of closing.

The Share Exchange Agreement also provides that the obligation of Arrowstar and Arrowstar's securityholders to complete the sale of the 81,138,333 AdastrA Shares to Arrowstar in exchange for 81,138,333 million Arrowstar Shares is subject to the fulfillment of numerous conditions precedent on or prior to closing, unless waived in writing by AdastrA and AdastrA's Vendors. These include: (i) completion of the Concurrent Financing; (ii) approval of the Reverse Take-Over by Arrowstar Shareholders; (iii) there being no material adverse change in the business affairs of Arrowstar; (iv) Arrowstar shall have, entered into the AdastrA Employment Agreements in a form satisfactory to Arrowstar and the parties thereto, acting reasonably; (v) the officers of Arrowstar will consist of Andy Hale as President and Chief Executive Officer, and Stephen Brohman as Chief Financial Officer; (vi) all officers of Arrowstar and all directors of Arrowstar except Stephen Brohman and Blaine Bailey will have resigned and the new board of directors of Arrowstar (the "**New Board**") will initially consist of Stephen Brohman, Blaine Bailey, Andy Hale, and George Routhier, with a fifth independent director, satisfactory to the New Board will be appointed as soon as practicable thereafter; (vii) there will be no continuing stock options or convertible securities outstanding in Arrowstar or any other rights in respect of unissued shares of Arrowstar save and except 1,519,200 warrants; and (viii) Arrowstar shall have complied with all of its covenants and agreements contained in the Share Exchange Agreement in all material respects and the representations and warranties of Arrowstar shall be completely true as if such representations and warranties had been made by Arrowstar as of the time of closing of the Share Exchange Agreement. The conditions precedent are for the exclusive benefit of each of the AdastrA Vendors and AdastrA and may be waived by each of them in whole or in part on or before the closing of Share Exchange Agreement.

REASONS FOR THE REVERSE TAKE-OVER

The Board of Directors of Arrowstar has concluded that the Reverse Take-Over is in the best interests of Arrowstar, and fair to Arrowstar Shareholders.

In arriving at their conclusion, each member of the Board of Directors of Arrowstar considered information with respect to the financial condition, business and operations of each of Arrowstar and AdastrA, on both a historical and prospective basis.

The Board of Directors of Arrowstar considered a number of factors which make the Spin-Out and Reverse Take-Over attractive to Arrowstar Shareholders, including the following:

- AdastrA wishes to become a public company through a transaction with a company that is a "reporting issuer" under Canadian securities laws and Arrowstar meets this requirement;
- Arrowstar Shareholders will gain exposure to AdastrA's cannabis business;

- Arrowstar will gain access to Adastras experienced management team; and
- Arrowstar will have the opportunity to participate in a combined company that will have increased market capitalization resulting in increased liquidity for Arrowshare Shareholders.

REGULATORY MATTERS AND REQUIRED SHAREHOLDER APPROVAL

The Share Exchange Agreement is considered a “**related party transaction**” within the meaning of MI 61-101 and TSXV Policy 5.9 – *Protection of Minority Security Holders in Special Transactions* which adopts MI 61-101 as certain Adastras securityholders, by virtue of Blaine Bailey and Stephen Brohman, are a related party of the Company. MI 61-101 is intended to regulate certain transactions to ensure the protection and fair treatment of minority security holders. Pursuant to MI 61-101, a formal valuation and minority shareholder approval must be obtained for related party transactions unless, in each instance, an exemption from such requirement is available.

With respect to the formal valuation requirement, the Company intends to rely upon the exemption from the requirement to obtain a formal valuation for the Share Exchange Agreement under MI 61-101 set forth in section 5.5(b) – *Issuer Not Listed on Specified Markets* which requires that none of the securities of the Company be listed or quoted on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc. This exemption is available to the Company as its Common Shares are listed only on the TSXV.

There is no prior valuation in respect of the Company that relates to the subject matter of or is otherwise relevant to the Share Exchange Agreement, the existence of which is known, after reasonable inquiry, to the Company or to any director or senior officer of the Company.

With respect to the minority approval requirement, the Company has determined that there is no exemption available in respect of the Share Exchange Agreement from the minority Shareholder approval requirements of Section 5.6 of MI 61-101 and as such, the proposed Acquisition is subject to the requirement to obtain minority Shareholder approval. As such, the Company will seek approval of the Share Exchange Agreement from a majority of votes cast by Shareholders at the Meeting, excluding votes attached to Common Shares that are beneficially owned or over which control or direction is exercised by the issuer, an “interested party”, a “related party” of the interested party or a “joint actor” (all as defined in MI 61-101).

To the knowledge of the Company after reasonable inquiry, the only parties excluded from voting on the Share Exchange Agreement would be Blaine Bailey and Stephen Brohman, which own an aggregate 1,116,580 Common Shares and would be excluded from voting by virtue of being a party to the Share Exchange Agreement to be considered at the Meeting (“**Minority Shareholder Approval**”). To the knowledge of the Company no other member of Adastras beneficially owns any Common Shares.

Other than the agreements relating to the Share Exchange Agreement, the Company or a related party of the Company did not enter into any agreement with an interested party or a joint actor with an interested party in connection with the Share Exchange Agreement.

RECOMMENDATION OF THE DIRECTORS

The Board has reviewed the terms and conditions of the proposed Acquisition and has concluded that the Acquisition is in the best interests of the Company. In arriving at this conclusion, the Board considered, among other matters:

1. the financial condition, business and operations of Company, on both a historical and prospective basis;

2. the procedures by which the Acquisition is to be approved, including the requirement for Minority Shareholder Approval and regulatory approval;
3. the results of positive market reaction thereto; and
4. historical information regarding the price of the Company's Common Shares.

The Board, with each of Blaine Bailey and Stephen Brohman abstaining from voting, has unanimously approved the Reverse Take-Over and the Share Exchange Agreement. The Board recommends the Shareholders vote in favour of the Reverse Take-Over Resolution.

PROCEDURE FOR THE REVERSE TAKE-OVER TO BECOME EFFECTIVE

In order for the Share Exchange Agreement and Reverse Take-Over to become effective:

- (a) the Share Exchange Agreement and Reverse Take-Over must be approved by the TSXV, including conditional listing on the CSE of New Adastra;
- (b) the Reverse Take-Over Resolution must be approved by Arrowstar Shareholders; and
- (c) all conditions precedent to the Reverse Take-Over, as set out in the Share Exchange Agreement, must be satisfied or waived by the appropriate party.

MANAGEMENT AND DIRECTORS OF ADASTRA

Andy Hale is the Chief Executive Officer of Adastra, and Stephen Brohman is the Chief Financial Officer and Corporate Secretary of Adastra. The Board of Directors of Adastra will be comprised of Andy Hale, Blaine Bailey, George Routhier and Stephen Brohman. Such individuals will hold office until the next annual meeting of Adastra shareholders or until their successors are duly elected or appointed, unless such office is earlier vacated in accordance with the by-laws of Adastra. For a complete description of these individuals, see "Part F – Information Concerning Adastra – Directors, Officers and Promoters". By approving the Reverse Take-Over Resolution, Arrowstar Shareholders will in effect confirm the aforementioned individuals as the directors of Adastra.

PROPOSED MANAGEMENT AND DIRECTORS OF ARROWSTAR (RESULTING ISSUER)

Pursuant to the Share Exchange Agreement, Andy Hale will be appointed as President and Chief Executive Officer and Stephen Brohman will be appointed as Chief Financial Officer. The Share Exchange Agreement provides that the Board of Directors of New Adastra will initially consist of four (4), with a fifth independent director, satisfactory to the new board will be appointed as soon as practicable thereafter. Upon the closing of the Reverse Take-Over, Phillip Thomas and Andrew Kenneth Jarvis will resign as directors of Arrowstar (the "**Resignations**") and Andy Hale and George Routhier will be appointed as directors of New Adastra ("**Appointments**"). Effective as of the closing date of the Share Exchange Agreement, the New Board of New Adastra will consist of Stephen Brohman, Blain Bailey, Andy Hale, and George Routhier, who will hold office until the next annual meeting of New Adastra Shareholders or until their successors are duly elected or appointed, unless such office is earlier vacated in accordance with the Articles of New Adastra. A fifth independent director, satisfactory to the New Board will be appointed as soon as practicable thereafter. For a complete description of these individuals, see "Part F – Information Concerning New Adastra – Directors, Officers and Promoters". By approving the Reverse Take-Over Resolution, Arrowstar Shareholders will in effect confirm the aforementioned individuals as the directors of New Adastra.

The Board has considered the independence of each of the directors, effective the Closing Date of the Share Exchange Agreement. Consistent with National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), to be considered independent, the Board must conclude that a director has no material relationship with the Corporation. A "**material relationship**" is a relationship

which could, in the view of the Board, reasonably interfere with the exercise of a director's independent judgment and includes an indirect material relationship.

The Board has concluded that, following the Resignations and Appointments, effective the Closing Date, two of its directors (Messrs. George Routhier, and Blaine Bailey) are "independent" for purposes of board membership as defined in NI 58-101 and therefore a majority of the directors are independent. By virtue of his position as President and CEO, Mr. Hale is not considered "independent".

At the present time, the Board has one committee: the Audit Committee. The Audit Committee currently consists of Stephen Brohman, Andrew Jarvis and Phillip Thomas. Following the Resignations and Appointments, effective the Closing Date, the Audit Committee will consist of Messrs. Steve Brohman, George Routhier and Blaine Bailey.

ESCROWED SHARES

A total of 26,000,000 Arrowstar Shares issued to certain shareholders of Arrowstar pursuant to the Share Exchange Agreement will be subject to escrow under the Arrowstar Escrow Agreement. A total of 26,000,000 Arrowstar Shares issued to certain shareholders of Adastra pursuant to the Reverse Take-Over and a total of 1,519,200 Arrowstar Shares issuable upon the exercise of Arrowstar Warrants held by certain directors will be subject to escrow under the Arrowstar Escrow Agreement.

EFFECTIVE TIME OF REVERSE TAKE-OVER

If the Reverse Take-Over Resolution is passed and the other conditions to completion of the Reverse Take-Over set out in the Share Exchange Agreement, are fulfilled or waived, the Reverse Take-Over will be effected in accordance with the policies of the TSXV. It is currently anticipated that the Effective Date will be no later than November 30, 2019.

DELIVERY OF SHARE CERTIFICATES

If the Reverse Take-Over become effective, Arrowstar will use the "push out" method for the delivery of the Arrowstar Shares.

LOST OR DESTROYED SHARE CERTIFICATES

Where a certificate representing Adastra Shares has been lost, destroyed or wrongfully taken, the holder of such certificates should immediately contact Adastra, so that arrangements can be made to issue a replacement share certificate to such holder upon such holder satisfying such reasonable requirements as may be imposed by Adastra or Arrowstar, as the case may be, in connection with the issue of such replacement share certificate.

RISK FACTORS

Risk Factors

The securities of Arrowstar and Adastra should be considered highly speculative investments and the transactions contemplated herein should be considered of a high-risk nature. Arrowstar Shareholders should carefully consider all of the information disclosed in this Circular prior to voting on the matters being put before them at the Meeting.

In assessing the Arrangement, Arrowstar Securityholders and Adastra Shareholders should carefully consider the risks described in this Circular. Additional risks and uncertainties, including those currently unknown to or considered immaterial by Adastra, may also adversely affect the business of the Resulting Issuer. In particular, the Arrangement and the operations of the Resulting Issuer are subject to certain risks including the following risks.

An investment in Adastra and its securities should be considered speculative due to the nature of Adastra's business. In addition to the other information contained in this Circular, prospective investors should consider the following risk factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Circular. Any of the matters highlighted in these risk factors could have a material adverse effect on the business of Adastra, results of its operations and its financial condition.

Adastra believes the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in Adastra. Additional risks and uncertainties not presently known to Adastra, or which Adastra currently deems immaterial may also have an adverse effect upon Adastra. The risks listed are set out in order of priority in the opinion of Adastra but history may well prove that Adastra is not prescient.

Risks Related to Adastra's Business

Competition

Adastra is engaged in an industry that is highly competitive. Because its industry is evolving and characterized by technological change, it is difficult for Adastra to predict whether, when and by whom new competing technologies may be introduced or when new competitors may enter the market. Adastra faces increased competition from companies with strong positions in certain markets Adastra intends to serve and in new markets and regions it may enter. Many of Adastra's competitors have significantly greater financial and other resources than Adastra currently possesses and may spend significant amounts of resources to gain market share. Adastra cannot assure investors that it will be able to compete effectively against current and future competitors. In addition, increased competition or other competitive pressures may result in price reductions, reduced margins or loss of market share, any of which could have a material adverse effect on Adastra's Issuer's business, financial condition or results of operations. Competitors may be able to respond to new or emerging technologies and changes in customer requirements more effectively than Adastra can, or devote greater resources to the development, promotion and sale of products than Adastra can. Current and potential competitors may establish cooperative relationships among themselves or with third parties, including through mergers or acquisitions, to increase the ability of their products to address the needs of Adastra's prospective customers. If these competitors were to acquire significantly increased market share, it could have a material adverse effect on Adastra's business, financial condition or results of operations. Adastra's competitors may also establish or strengthen co-operative relationships with systems integrators, third-party consulting firms or other parties with whom Adastra has relationships, thereby limiting its ability to promote its products.

Regulatory Risks

The activities of Adastra will be subject to regulation by governmental authorities. Achievement of Adastra's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. Adastra cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of Adastra.

Lack of Operating History

Adastra has only recently started to carry on its business. Adastra is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. The failure by Adastra to meet any of these conditions could have a materially adverse effect on Adastra and may force it to reduce, curtail, or discontinue operations. There is no assurance that Adastra will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early

stage of operations. Aداstra may not successfully address all of the risks and uncertainties or successfully implement its existing and new products and services. If Aداstra fails to do so, it could materially harm its business and impair the value of its common stock, resulting in a loss to shareholders. Even if Aداstra accomplishes these objectives, Aداstra may not generate the anticipated positive cash flows or profits. No assurance can be given that Aداstra can or will ever be successful in its operations and operate profitably.

Growth and Consolidation in the Industry

Acquisitions or other consolidating transactions could have adverse effects on Aداstra. Aداstra could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing Aداstra to lose access to distribution, content and other resources. The relationships between Aداstra and its strategic partners may deteriorate and cause an adverse effect on the business. Aداstra could lose customers if competitors or user of competing technology consolidate with Aداstra's current or potential customers. Furthermore, Aداstra's current competitors could become larger players in the market or new competitors could form from consolidations. Any of the foregoing events could put Aداstra at a competitive disadvantage, which could cause Aداstra to lose customers, revenue, and market share. Consolidation in the industry could also force Aداstra to divert greater resources to meet new or additional competitive threats, which could harm Aداstra's operating results.

Payment of Dividends Unlikely

There is no assurance that Aداstra will pay dividends on its shares in the near future or ever. Aداstra will likely require all its funds to further the development of its business.

Management of Growth

Any expansion of Aداstra's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that Aداstra will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it experiences. There can be no assurance that Aداstra will be able to manage growth successfully. Any ability of Aداstra to manage growth successfully could have a material adverse effect on Aداstra's business, financial condition and results of operations.

Reliance on Key Consultants

There can be no assurance that any of Aداstra's consultants will remain with Aداstra or that, in the future, they will not organize competitive businesses or accept opportunities with companies competitive with Aداstra. Aداstra will depend on a number of key officers and directors the loss of any one of whom could have an adverse effect on Aداstra.

Aداstra Shareholders' Interest may be Diluted in the Future

Aداstra will require additional funds for its planned activities. If Aداstra raises additional funding by issuing equity securities, which is highly likely, such financing could substantially dilute the interests of Aداstra's shareholders.

Conflicts of Interest

Certain of the directors and officers of Aداstra are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of Aداstra and as officers and directors of such other companies.

Litigation

Aداstra may be forced to litigate, enforce, or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties' proprietary rights. Such litigation would be a

drain on the financial and management resources of Adastra which may affect the operations and business of Adastra. Furthermore, because the content of most of Adastra's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions, Adastra may face additional difficulties in depending its intellectual property rights.

Adastra 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 Adastra becomes involved be determined against Adastra such a decision could adversely affect Adastra's ability to continue operating and the market price for New Issuer Shares and could use significant resources. Even if Adastra is involved in litigation and wins, litigation can redirect significant company resources.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their 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 labelling disclosure. If any of Adastra's products are recalled due to an alleged product defect or for any other reason, Adastra could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Adastra may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although Adastra has detailed procedures in place for testing its products, 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 Adastra is subject to recall, the image of Adastra could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Adastra's products and could have a material adverse effect on the results of operations and financial condition of Adastra. Additionally, product recalls may lead to increased scrutiny of Adastra's operations by regulatory agencies, requiring further management attention, potential loss of applicable licenses and potential legal fees and other expenses.

Product Liability

As a producer and distributor of products designed to be ingested, inhaled or otherwise consumed by humans, Adastra faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused damages, loss or injury. In addition, the sale of Adastra's products and services involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of Adastra's or its customer's products alone or in combination with other medications or substances could occur. Adastra may be subject to various product liability claims, including, among others, that Adastra's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against Adastra could result in increased costs, could adversely affect Adastra's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of Adastra. There can be no assurances that Adastra will be able to obtain or 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 obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Adastra's potential products.

Reliance on Third Party Relationships

Adastra is dependent on several third-party relationships and their related costs, including raw materials and supplies related to their growing operations, as well as electricity, water and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain from third-party relationships could materially impact Adastra's financial condition and operating results. Any inability

to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on Adastra's business, financial condition and operating results.

The third parties with which we do business may perceive that they are exposed to reputational risks as a result of our cannabis business activities, Failure to establish or maintain business relationships could have a material adverse effect on Adastra.

Effectiveness and Efficiency of Advertising and Promotional Expenditures

Adastra's future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional expenditures, including its ability to (i) create greater awareness of its products; (ii) determine the appropriate creative message and media mix for future advertising expenditures; and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of Adastra's technologies or services. In addition, no assurance can be given that Adastra will be able to manage its advertising and promotional expenditures on a cost-effective basis.

Intellectual Property

Adastra's success depends in part on its ability to protect its ideas and technology. Even if Adastra move to protect its technology with trademarks, patents, copyrights or by other means, Adastra is not assured that competitors will not develop similar technology, business methods or that Adastra will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as does Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions have a meaningfully impact Adastra's ability to successfully grow Adastra's business.

Fraudulent or Illegal Activity

Adastra is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to Adastra that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for Adastra to identify and deter misconduct by its employees and other third parties, and the precautions taken by Adastra to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting Adastra from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against Adastra, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of Adastra's operations, any of which could have a material adverse effect on Adastra's business, financial condition and results of operations.

Product Viability

If the products Adastra sells are not perceived to have the effects intended by the end user, its business may suffer. Many of Adastra's products contain innovative ingredients or combinations of ingredients. There is little long-term data with respect to efficacy, unknown side effects and/or interaction with individual human biochemistry. Moreover, there is little long-term data with respect to efficacy, unknown side effects and/or its interaction with individual animal biochemistry. As a result, Adastra's products could have certain side effects if not taken as directed or if taken by an end user that has certain known or unknown medical conditions.

Success of Quality Control Systems

The quality and safety of Adastra's products are critical to the success of its business and operations. As such, it is imperative that Adastra's (and its service provider's) quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although Adastra strives to ensure that all of its service providers have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on Adastra's business and operating results.

Positive Test for THC or Banned Substances

Adastra's products are made from Cannabis, which contains THC. As a result, certain of Adastra's products contain low levels of THC. THC is considered a banned substance in many jurisdictions. Moreover, regulatory framework for legal amounts of consumed THC is evolving. Whether or not ingestion of THC (at low levels or otherwise) is permitted in a particular jurisdiction, there may be adverse consequences to end users who test positive for trace amounts of THC attributed to use of Adastra's products. In addition, certain metabolic processes in the body may cause certain molecules to convert to other molecules which may negatively affect the results of drug tests. Positive tests may adversely affect the end user's reputation, ability to obtain or retain employment and participation in certain athletic or other activities. A claim or regulatory action against Adastra based on such positive test results could adversely affect Adastra's reputation and could have a material adverse effect on its business and operational results.

Risks Related to Use of Proceeds

Although Adastra currently intends to use the net proceeds from the Offering in the manner described herein, Adastra's management will have broad discretion in the application of the balance of the net proceeds from the Offering and could spend the proceeds in ways that do not improve Adastra's results of operations or enhance the value of its shares. The failure by Adastra's management to apply these funds effectively could result in financial losses that could have a material adverse effect on Adastra's business, cause the price of Adastra's shares to decline and delay the development of new products. Pending the use of Offering funds, Adastra may invest the net proceeds from the Offering in a manner that does not produce income or that loses value.

Estimates and Assumptions

Preparation of its financial statements requires Adastra to use estimates and assumptions. Accounting for estimates requires Adastra to use its judgment to determine the amount to be recorded on its financial statements in connection with these estimates. If the estimates and assumptions are inaccurate, Adastra could be required to write down its recorded values. On an ongoing basis, Adastra re-evaluates its estimates and assumptions. However, the actual amounts could differ from those based on estimates and assumptions.

Costs and Compliance Risks

Legal, accounting and other expenses associated with public company reporting requirements are significant. Adastra anticipates that costs may increase with corporate governance related requirements, including, without limitation, requirements under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, National Instrument 52-110 – Audit Committees and National Instrument 58-101 – Disclosure of Corporate Governance Practices.

Adastra also expects these rules and regulations may make it more difficult and more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for Adastra to attract and retain qualified individuals to serve on its board of directors or as executive officers.

Risks Related to Income Taxation

The Reverse Take-Over may give rise to adverse tax consequences to certain Shareholders and each of the Shareholders is urged to consult his or her own tax advisor. See "Certain Canadian Federal Income Tax Considerations for Shareholders".

U.S. SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE EXCHANGE, ACQUISITION, OWNERSHIP, AND DISPOSITION OF ADASTRA SHARES AND ARROWSTAR SHARES, AS MAY APPLY TO THEIR PARTICULAR CIRCUMSTANCES. THE U.S. INCOME TAX CONSEQUENCES OF THE EXCHANGE WILL NOT BE THE SAME FOR ALL U.S. SHAREHOLDERS AND IN VIEW OF THE COMPLEXITY OF BOTH THE CANADIAN AND THE UNITED STATES TAX LAWS, IT IS ASSUMED THAT EACH U.S. SHAREHOLDER HAS OBTAINED INDEPENDENT ADVICE FROM HIS OR HER OWN TAX ADVISOR.

ARROWSTAR SHAREHOLDER APPROVAL

Reverse Take-Over Resolution

Management of Arrowstar intends to place before the Meeting, for approval, with or without modification, the Reverse Take-Over Resolution in the form annexed as Schedule "C" hereto, relating to the Reverse Take-Over pursuant to the Share Exchange Agreement.

Accordingly, the Company is seeking Minority Shareholder Approval to the Reverse Take-Over Resolution, and Shareholders of the Company will be asked at the Meeting to approve the Reverse Take-Over Resolution in substantially the form annexed as Schedule "C" hereto.

To be effective, the Purchase Resolution must be passed by the affirmative vote of more than 50% of the votes cast by Shareholders present in person or represented by proxy at the Meeting and entitled to vote. If the Reverse Take-Over Resolution does not receive the necessary approval from Arrowstar Shareholders present in person or by proxy at the Meeting, Arrowstar will not proceed with this transaction in this form. In such event, the Board of Directors of Arrowstar may reconsider the transaction in the hope of restructuring it in a form that will be satisfactory to Arrowstar Shareholders, and applicable regulatory authorities.

Unless instructed otherwise, the management designees of Arrowstar in the accompanying form of proxy or voting instruction form intend to vote FOR the Reverse Take-Over Resolution.

INFORMATION CONCERNING THE CORPORATION

Price Ranges and Trading Volumes

The Arrowstar Shares are listed on the TSXV under the symbol "AWS". It is expected that the Arrowstar Shares will be de-listed from the TSXV following the completion of the Reverse Take-Over, subject to the rules and policies of the TSXV and the CSE. The following table sets forth high and low prices and trading volumes of the Arrowstar Shares on the TSXV for the six month period preceding the announcement of the Reverse Take-Over:

	Price Range⁽¹⁾⁽²⁾		Trading Volume
	High (\$)	Low (\$)	
October 1 2019 to October 23, 2019	N/A	N/A	N/A
September 2019	N/A	N/A	N/A
August 2019	N/A	N/A	N/A
July 2019	N/A	N/A	N/A
June 2019	N/A	N/A	N/A
May 2019	N/A	N/A	N/A
April 2019	N/A	N/A	N/A

	Price Range ⁽¹⁾⁽²⁾		Trading Volume
	High (\$)	Low (\$)	
March 2019	N/A	N/A	N/A
February 2019	N/A	N/A	N/A
January 2019	N/A	N/A	N/A
December 2018	N/A	N/A	N/A

Notes:

- (1) The closing price of the Arrowstar Shares on the TSXV on August 8, 2019, the date of the public announcement of the Reverse Take-Over, was not applicable as not trading.
- (2) At the request of the Company, trading in the securities of the Company were halted on June 13, 2019. The closing price of the Arrowstar Shares on the TSXV on June 13, 2018 was \$0.12. In accordance with TSXV policies, trading in the securities of the Company will remain halted until the Company has filed requisite materials regarding its change of business transaction and satisfied all applicable approvals thereof under TSXV policies.

Commitments to Acquire Securities of the Company

Other than the Share Exchange Agreement and Arrowstar Warrants, there are no agreements, commitments or understandings made by Arrowstar, or known by Arrowstar after reasonably inquiry to have been made by the directors, officers and other insiders of the Company to acquire securities of Arrowstar.

Prior Sales

The Company has issued no securities during the 12 months immediately preceding the date of this Circular.

It is a condition to the Share Exchange Agreement that prior to the closing of the completion of the Reverse Take Over, Arrowstar will complete the Concurrent Financing pursuant to which the Company intends to issue up to 10,000,000 Offering Shares at a price of Cdn.\$0.05 per Offering Share for total gross proceeds to the Company of \$500,000.

Financial Statements and Management’s Discussion and Analysis

Additional financial and other information is provided in the Company’s audited consolidated financial statements and management’s discussion and analysis for the financial year ended December 31, 2018 and in the Company’s interim consolidated financial statements and management’s discussion and analysis for the three months ended March 31, 2019, which can be found on SEDAR at www.sedar.com, will be sent without charge to any securityholder upon request. Requests should be made (a) by mail to 2300 – 1177 West Hastings Street, Vancouver, BC V6E 2K3, (Attention: Blaine Bailey, Chief Financial Officer) or (b) by facsimile transmission to 604 408-7499 (Attention: Blaine Bailey, Chief Financial Officer).

Dividends

The Company has not paid any dividends since incorporation and it has no plans to pay dividends for the foreseeable future, although there are no restrictions that could prevent the Company from paying dividends.

AUDITOR, REGISTRAR AND TRANSFER AGENT

The auditor of Arrowstar is Davidson & Company LLP, Chartered Professional Accountants, 1200 – 609 Granville Street, Vancouver, BC V7Y 1G6.

The registrar and transfer agent for Arrowstar is Computershare Investor Services Inc. of 3rd Floor, 510 Burrard Street, Vancouver, BC V6C 3B9.

INFORMATION CONCERNING ADASTRA AND THE RESULTING ISSUER

Please see Appendix "F" for information concerning Adastra. All information relating to Adastra and Arrowstar in this Circular is based on information made available to the Company by Adastra. Neither the Company nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information or for any failure of Adastra to disclose facts or events that may have occurred or may affect the significance or accuracy of any such information but which are unknown to the Company.

LEGAL MATTERS

Certain legal matters in connection with the Reverse Take-Over will be passed upon by Gowling WLG (Canada) LLP, as counsel on behalf of the Company.

OTHER MATTERS

Management of the Company knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting accompanying this Information Circular. However, if any other matters properly come before the Meeting, it is the intention of the persons designated by Management as proxyholders in the form of Proxy accompanying this Information Circular to vote the same in accordance with their best judgment on such matters.

ADDITIONAL INFORMATION

Additional information regarding the Company and its business activities is available on the SEDAR website located at www.sedar.com "Company Profiles – Arrowstar Resources Ltd." and at the Company's website located at www.arrowstarresources.com. The Company's financial information is provided in the Company's audited financial statements and related management's discussion and analysis for its most recently completed financial year end may be viewed on the SEDAR website at the location noted above. Shareholders of the Company may request copies of the Company's financial statements and related management's discussion and analysis by contacting the President at Arrowstar Resources Ltd., Suite 2300 – 1177 West Hastings Street, Vancouver, British Columbia V6E 2K3, Email: <mailto:bbailey@arrowstarresources.com>, Phone: (604) 687-7828 and Fax: (604) 408-7499.

SCHEDULE A AUDIT COMMITTEE

Charter

The audit committee's charter was filed on SEDAR at www.sedar.com on January 25, 2006, as Schedule "A" to the 2006 information circular and is incorporated by reference herein. A copy of the Audit Committee Charter will be provided free of charge to any Shareholder upon request.

Composition of the Audit Committee

The Audit Committee is comprised of the following members:

Member	Independent⁽¹⁾	Financially literate⁽²⁾
Stephen Brohman	Yes	Yes
Andrew Jarvis	Yes	Yes
Phillip Thomas	No	Yes

Notes:

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.
- (2) An individual is financially literate if the member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Education and Experience

Stephen Brohman: As a chartered professional accountant, Mr. Brohman has extensive experience with the preparation and auditing of financial statements for publicly traded companies.

Andrew Jarvis: Mr. Jarvis holds a Bachelor of Business Administration degree and has experience with junior mining companies assisting with financing transactions and corporate management.

Phillip Thomas: Mr. Thomas is a Geologist and Certified Mineral Valuer and Appraiser and has been a director and/or officer of several public companies since 2004 and has worked extensively with public and private companies.

Each member of the audit committee has adequate education and experience that would provide the member with:

- (a) an understanding of the accounting principles used by the Company to prepare its financial statements, and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- (b) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising individuals engaged in such activities; and
- (c) an understanding of internal controls and procedures for financial reporting.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 (*De Minimis* Non-Audit Services) of National Instrument 52-110 ("**NI 52-110**"), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "External Auditors" in the audit committee charter.

External Auditor Service Fees (By Category)

The aggregate fees billed by the Company's external auditors in the fiscal year ended December 31, 2017 and the fiscal year ended December 31, 2018 for audit fees are as follows:

Financial Year Ending	Audit Fees⁽¹⁾	Audit Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
2018	\$12,754 ⁽⁵⁾	Nil	Nil	Nil
2017	\$14,458 ⁽⁵⁾	Nil	Nil	Nil

Notes:

- (1) The aggregate audit fees billed.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements which are not included under the heading "Audit Fees".
- (3) The aggregate billed fees for tax compliance, tax advice, and tax planning.
- (4) The aggregate billed fees for products and services reported under clauses (1) (2) and (3).
- (5) Includes GST.

Exemption

The Company is relying upon the exemption in section 6.1 of the NI 52-110, which exempts venture issuers (as defined therein) from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of that instrument.

SCHEDULE B STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Corporate governance relates to the activities of the board of directors of the Company (the “**Board**”), the members of which are elected by and are accountable to the Shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Company. The Board is committed to sound corporate governance practices which are both in the interest of its Shareholders and contribute to effective and efficient decision making. National Policy 58-201 *Corporate Governance Guidelines* establishes corporate governance guidelines which apply to all public companies. The Company has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Company’s practices comply with the guidelines, however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been adopted. National Instrument 58-101 *Disclosure of Corporate Governance Practices* mandates disclosure of corporate governance practices for Venture Issuers in Form 58-101F2, which disclosure is set out below.

Board of Directors

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A “material relationship” is a relationship which could, in the view of the Company’s Board, be reasonably expected to interfere with the exercise of a director’s independent judgment.

During the fiscal year ended December 31, 2018, the independent members of the Board of Directors of the Company were Stephen Brohman and Andrew Jarvis.

During fiscal year ended December 31, 2018, there were no Board meetings held as business was conducted by resolution and the unanimous consent of the directors of the Company.

Directorships

The following Directors of the Company are directors of other reporting issuers:

Name	Reporting Issuer
Phillip Thomas	AIS Resources Ltd (TSXV)

Orientation and Continuing Education

When new directors are appointed, they receive orientation, commensurate with their previous experience, on the Company’s properties and on director responsibilities.

Board meetings may also include presentations by the Company’s management and employees to give the directors additional insight into the Company’s business. In addition, management of the Company makes itself available for discussions with all Board members.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Company’s governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director’s participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Nomination of Directors

The Board does not have a nominating committee. Functions that would be carried out by a nominating committee are currently performed by the Board as a whole with input from management.

Upon nomination of a director, the Board and management of the Company consider the size of the Company, its history and its future goals and objectives when deciding the number of directors to recommend for election at the annual general meeting of shareholders. Further, also taken into account is the number of Board members that would be required to effectively carry out the duties and responsibilities of the Board while maintaining a diversity of views and experience. However, if there is a change in the number of directors required to effect the smooth operations of the Company, this policy will be reviewed.

Compensation

The Board is to conduct a review with regard to the compensation for the directors and chief executive officer each year, taking into account the types of compensation and the amounts paid to directors and chief executive officer of comparable publicly-traded Canadian companies and with a view to aligning the interests of directors with those of the Shareholders.

Other Board Committees

Apart from the Audit Committee, the Board does not currently have any other standing committees in place.

Assessment of the Board, the Audit Committee and Directors

The Board believes that adequate processes are in place to enable the Board to function independently of the Company's management. The regularly scheduled Board meetings give the independent directors the opportunity for full discussions of all matters they consider relevant, including an assessment of their own performance. The Board further ensures its independent function by convening an in camera session (at which the non-independent director and members of management are not in attendance) during its regularly scheduled Board meetings.

**SCHEDULE C
SHAREHOLDERS' RESOLUTIONS**

REVERSE TAKE-OVER RESOLUTION

BE IT RESOLVED THAT:

1. the acquisition by Arrowstar Resources Ltd. ("**Arrowstar**") from the securityholders of Adastra ("**Adastra**") of all of the issued and outstanding shares of Adastra in exchange for shares of Arrowstar (the "**Reverse Take-Over**"), on the terms and subject to the conditions set out in a Share Exchange Agreement dated August 1, 2019 among Arrowstar, Adastra and Adastra's securityholders (the "**Share Exchange Agreement**") to the management information circular of Arrowstar dated October 21, 2019, be and the same is hereby authorized and approved;
2. notwithstanding that this resolution has been passed by the shareholders of Arrowstar, the directors of Arrowstar are hereby authorized and empowered, without further notice to, or approval of, the shareholders of Arrowstar: (i) to amend the Share Exchange Agreement; and (ii) subject to the terms of the Share Exchange Agreement, not to proceed with the Reverse Take-Over; and
3. any officer or director of Arrowstar is hereby authorized and directed for and on behalf of Arrowstar to execute or cause to be executed, under the seal of Arrowstar or otherwise, and to deliver or cause to be delivered all such other documents, agreements or instruments, and to perform or cause to be performed all such other acts and things, as such officer or director shall determine to be necessary or desirable to give full effect to this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents, agreements or instruments or the performing or causing to be performed of such other acts or things.

DELISTING RESOLUTION

BE IT RESOLVED THAT:

1. the Company is hereby authorized to voluntarily delist its common shares from the TSX Venture Exchange, subject to the listing of the common shares of the Company on the Canadian Securities Exchange ("**CSE**");
2. any one or more directors and officers of the Company be authorized and directed to perform all such acts, deeds and things and execute, under the seal of the Company or otherwise, all such documents and other writings as may be required to give effect to the true intent of this resolution; and
3. notwithstanding that this resolution has been passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to not proceed with the matters contemplated by or in connection with the Delisting Resolution without any further approval of the shareholders of the Company.

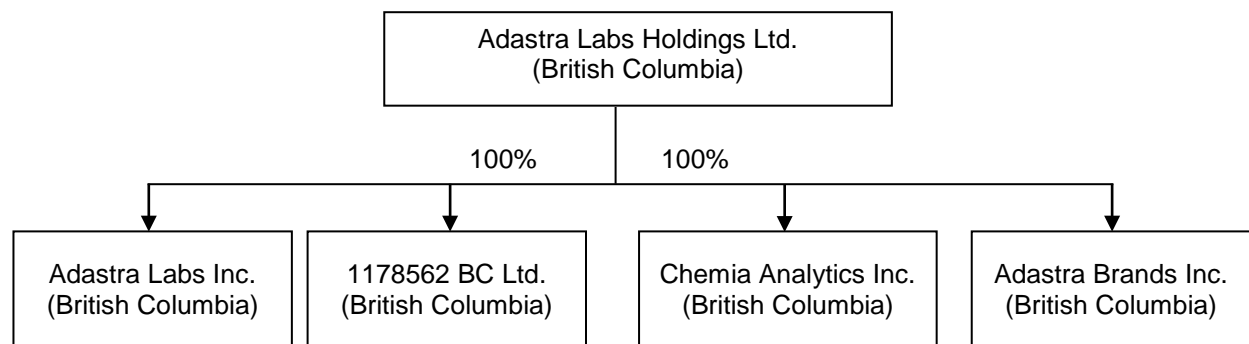
**SCHEDULE D
INFORMATION CONCERNING ADASTRA
CORPORATE STRUCTURE**

Name and Incorporation

Adastra was incorporated on June 18, 2018 under the Business Corporations Act (British Columbia) as PerAspera Holdings Ltd. On May 24, 2018 changed PerAspera Holdings Ltd. its name to Adastra Labs Holdings Ltd.

Intercorporate relationships

Adastra has four subsidiaries. The following chart shows the corporate relationship between Adastra and its subsidiaries.



GENERAL DEVELOPMENT OF THE BUSINESS

Three-year history

On July 13, 2018, Adastra hired technical staff for Adastra Labs Inc. (“**ALI**”) and Chemia Analytics Inc. (“**CAI**”).

On October 18, 2018, Adastra submitted applications with Health Canada for the ALI Cannabis License and CAI Cannabis License.

In December 2018, Adastra made determinations with respect to equipment and suppliers of necessary equipment and software to operate the Adastra business as proposed.

On January 9, 2019, Adastra entered into a lease agreement with 1178562 BC Ltd. (“**562BC**”), the holder of the property. On June 12, 2019, Adastra acquired all of the shares of 562BC.

On February 7, 2019, Adastra issued 26,000,000 Adastra Shares at price of \$0.005 per Adastra Share for total proceeds of \$130,000.

In mid-February 2019, Adastra finalized its plans for the retrofit of the building located at 5451 275th (the “**Facility**”).

On February 28, 2019, Adastra issued 21,750,000 Adastra Shares at price of \$0.02 per Adastra Share for total proceeds of \$435,000.

In late February/early March 2019, Adastra submitted materials to the Township of Langley for re-zoning and commenced the retrofit of the Facility.

On March 7, 2019, Adastra issued 21,053,333 Adastra Shares at price of \$0.075 per Adastra Share for total proceeds of \$1,579,000.

On March 15, 2019, Adastra completed demolition and re-insulation of the Facility.

On March 31, 2019, Adastra issued 8,203,333 Adastra Shares at price of \$0.15 per Adastra Share for total proceeds of \$1,230,500.

On April 14, 2019, Adastra received unanimous Township of Langley Council approval to proceed with rezoning of the Facility.

On April 30, 2019, Adastra issued 4,131,667 Adastra Shares at a price of \$0.30 per Adastra Share for total proceeds of \$1,239,500.

On May 10, 2019, Adastra received a status letter from Health Canada advising that there are no critical concerns at this time.

On May 24, 2019, Adastra entered into a Systems and Services Agreement with United Science, LLC, whereby Adastra agreed to purchase necessary extraction equipment from the supplier.

On May 27, 2019, Adastra received final approval from the Township of Langley for re-zoning of the Facility.

On June 10, 2019, Adastra had commenced the post-demolition portion of the retrofit of the Facility.

On June 12, 2019, Adastra completed its acquisition of all of the shares of 562BC.

As at August 1, 2019, the Issuer, Adastra and the Adastra Shareholders entered into the Share Exchange Agreement. Under the terms of the Share Exchange Agreement, the Issuer will complete the Issuer restructuring and thereafter acquire all of the issued and outstanding Adastra Shares. In consideration for which the Adastra Shareholders will receive one (1) Consideration Share for each (1) Adastra Share held.

NARRATIVE DESCRIPTION OF THE BUSINESS

Adastra is an integrated Canadian cannabis company focused on extraction and associated analytical testing. Adastra, through its wholly-owned subsidiaries, has two pending license applications, one to produce cannabis extracts under the Cannabis Act (application #APP-EUSJTRWP51-2018), as well as a license to conduct analytical testing for the cannabis industry (application #APP-YHB7X40TCL). The Facility is in the process of becoming a purpose-built facility with a view to be in compliance with European Union (EU) Good Manufacturing Practices (GMP) standards, which will allow Adastra, subject to obtaining any necessary permits to export the products from the Facility to international destinations where Cannabis is nationally legal for medical or adult usage purposes. Adastra intends to export only to authorized recipients / countries – initially the EU for medical cannabis extracts once GMP accredited. There will be no US exports unless there is a change in US federal law. The Facility is expected to be completed on or about October 16, 2019.

Adastra has four wholly-owned subsidiaries: 562BC, which is the owner of Adastra's facility, ALI (or "**Adastra Labs**"), the extraction and concentrates production facility, Adastra Brands Inc. ("**ABI**"), a holding Company for acquisitions and in house creation of branding, and CAI (or "**Chemia**"), a cannabis testing and analysis laboratory.

Although Adastra Labs and Chemia will be co-located at the Facility in Langley, British Columbia, they are separate legal entities to allow Chemia to provide objective production testing for Adastra at cost and keep these analytical testing activities separate from Adastra production. Adastra through ALI and CAI has taken steps to acquire two licenses from Health Canada to become a legal processor of cannabis in Canada through Adastra Labs and to be a licensed cannabis analytical testing laboratory with Chemia Analytics.

CANNABIS

The terms cannabis and marijuana are used interchangeably in Canada. The two main types of cannabis/marijuana are the Sativa and Indica plants, with hybrid strains being created when the genetics of each are crossed. Within each type of cannabis, there are hundreds of different phytochemical compounds, including many different cannabinoids (the most common being delta-9-tetrahydrocannabinol (“**THC**”)), which is the psychoactive ingredient, and cannabidiol (“**CBD**”), which is responsible for many of the non-psychoactive effects of medical marijuana.

Cannabis can be used for either recreational or medicinal purposes and typically comes in the form of dried plant, powder form, resin or oil. Cannabis for medical use was legalized in Canada in 2001. Cannabis for recreational use was legalized in Canada in 2018.

Regulatory Framework

Cannabis was legalized in Canada for medicinal use in 2001 and has been a commonly prescribed medication since then. The production, distribution and sale of medicinal and adult-use cannabis is tightly controlled by the Canadian federal government. In 2013, Health Canada introduced the commercial cannabis licensed producer program under the Marijuana for Medical Purposes Regulations (“**MMPR**”) program. In 2015, the Supreme Court of Canada found certain elements of the MMPR unconstitutional which led to the development of the “ACMPR” (Access to Cannabis for Medical Purposes Regulations), specifically medical cannabis patients having the right to use oils and derivative forms of cannabis. In August 2016, the MMPR was replaced by the ACMPR. The ACMPR program as it relates to commercial production is very similar to the MMPR.

The federal Cannabis Act, S.C. 2018, c. 16, came into force on October 17, 2018, to create a new legal regime for non-medicinal, or recreational, cannabis and to continue the legal regime for medicinal cannabis. Medicinal cannabis will continue to be subject to different rules than recreational cannabis. The production and sale of medicinal cannabis is governed strictly by the federal government, whereas the regime for recreational cannabis is created by federal, provincial and municipal regulations.

The federal government regulates cannabis through the Cannabis Act, and governs the rules and regulations regarding:

- Minimum legal age requirement for recreational cannabis customers.
- Types of cannabis products available for sale. The sale of certain amounts of dried cannabis, fresh cannabis, cannabis oils, cannabis plants and cannabis plant seeds are legal as of October 17, 2018. Edibles containing cannabis and cannabis concentrates will be legally available for sale around October 17, 2019.
- Packaging and labelling requirements for products.
- Restrictions on promotional activities, displays and dispensing.
- Legalization of possession in public of 30 grams or less of dried cannabis, or the equivalent amount of other legal types of cannabis products, for someone 18 years of age or older, while maintaining a criminal offence for possession of more than that amount.
- Legalization of growing up to four cannabis plants in a private residence, while maintaining offences for having more than that or having them in a public place.
- Creating a licensing regime and requirements for the commercial production of cannabis and its wholesale sale to provincial and territorial distributors.

- Authorizing the provinces and territories to each legislate to create a new regulatory regime in their respective jurisdictions for the distribution and sale of recreational cannabis to persons 18 years of age or older.
- Maintaining offences for production, distribution or selling of cannabis outside of the newly regulated cannabis industry (with some exceptions).
- Continuing the separate legal regime for growing and selling medicinal cannabis to medical patients.

Under the regime created by the Cannabis Act, the federal government will license and regulate the growing, processing and production of cannabis products for commercial purposes, and each province and territory will control the distribution and sale of recreational cannabis in their jurisdiction (see section 69, Cannabis Act). Each jurisdiction is adopting unique legislation to address these issues. Only cannabis products that are grown or produced by a federally licensed producer may be sold or purchased in the provinces and territories (see section 69, Cannabis Act). The distribution model of each province will not adversely affect the New Issuer as a business-to-business provider.

Each provincial or territorial government is responsible for its own regime for the distribution and sale of recreational cannabis in its jurisdiction. For example, in Saskatchewan, retail cannabis is sold by private retailers, in Quebec, by a government-operated public entity and, in British Columbia, by a combination of public and private retailers. Each province and territory also the power to add, within its jurisdiction, more restrictive regulations from some of those in the federal legislation, including:

- Lowering the limit of cannabis permissible for personal recreational possession and consumption.
- Adding any rules and regulations to those for home grown recreational cannabis.
- Restricting the consumption of recreational cannabis in public spaces.
- Raising the minimum age for possession and consumption of cannabis.

Municipalities have the powers given to them by provincial statutes. Municipalities are given some authority over land use regulation and have the power to prohibit and regulate certain uses through zoning by-laws. Generally, the use carried out at any commercial real property must fit within the applicable zoning by-laws or the municipality can stop or prevent the use from being carried out on that real property.

Current Status of Cannabis Licence Applications

The ACMPR was repealed when the Cannabis Act and the Cannabis Regulations came into effect on October 17, 2018. Under the new regime, when an applicant applies for a licence there are four sub-categories to choose from:

- (a) Cannabis (cultivation, processing, sales);
- (b) Industrial Hemp;
- (c) Research; and
- (d) Analytical Testing.

On October 18, 2019, Adastra submitted two applications for Cannabis Licenses under the CTLS System. This included an application for an ALI Cannabis License under the first category: Cannabis (cultivation, processing, sales) and a CAI Cannabis License under the fourth category: (Analytical Testing). Once

received, the Cannabis Licence that ALI has applied for will permit it to process and sell its products for either medical or recreational use.

On May 8, 2019, Health Canada issued a notice that new applicants for licences to cultivate cannabis, process cannabis, or sell cannabis for medical purposes are required to have a fully built site that meets all the requirements of the Cannabis Regulations at the time of their application, as well as satisfying other application criteria. In addition, Health Canada advised that it complete a high-level review of applications currently in the queue. If the application passes this review, it will provide a status update letter to the applicant, indicating that it has no concerns with what is proposed in the application and once the applicant has a completed site that meets the regulatory requirements, Health Canada will review the application in detail, in priority based on the original application date.

Adastra received a status letter from Health Canada on May 10, 2019 advising that there are no critical concerns at this time. Upon completion of the necessary improvements to the Facility, Adastra will inform Health Canada that it is ready for further review.

FACILITY

On January 9, 2019, Adastra entered into a lease agreement with 562BC, the holder of the property. Adastra has subsequently acquired all the common shares of 562BC. The Facility is a 13,035 square foot building that was a former food manufacturing facility.

Extraction Equipment

Adastra has selected Supercritical CO2 extraction equipment and has agreed to purchase an extraction system that includes the ExtraktLAB Series 140 CO2 extractor along with the necessary additional equipment and software required for its operation of the extractor for an agreed price of \$756,900. These units have a capacity of processing 422 pounds of cannabis biomass per day with a crude cannabis oil yield of 11-19% based on the cannabis flower/trim combinations intended to be used as our extraction biomass.

Laboratory Equipment

CAI will be required to perform all cannabis testing specified in the Cannabis Act Regulations. CAI expects to require the following specific equipment in addition to other miscellaneous equipment:

- 1x LCMS-8060 Triple Quadrupole Detector Package
- 1x GCMS-TQ8050 w/EI ion source Smart PackGE
- 1x ICPMS-2030 Mass Spectrometer
- 1x Multiwave GO Microwave Digestion System
- 1x Cannabis Analyzer Base Package: LC-2030C

DIVIDENDS

Adastra currently intends to retain future earnings, if any, for use in its business and does not anticipate paying dividends on the Adastra Shares in the foreseeable future. Any determination to pay any future dividends will remain at the discretion of the Adastra board of directors and will be made taking into account its financial condition and other factors deemed relevant by the board. Adastra has not paid any dividends on the Adastra Shares since its incorporation.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Annual and Quarterly Information

The following table presents selected financial information for Adastra for the last fiscal year ended April 30, 2019, and for the 3-month period ended July 31, 2019. The information set out below is derived from the audited financial statements of Adastra and the related notes thereto as at and for the fiscal year ended April 30, 2019, and the unaudited condensed interim financial statements of Adastra and the related notes thereto for the 3-month period ended July 31, 2019. As Adastra was not a reporting issuer and therefore not required to prepare quarterly financial statements, Adastra does not have quarterly information statements other than for the quarter for the 3-month period ended July 31, 2019. Shareholders of the Company may request copies of Adastra's financial statements by contacting the President at Arrowstar Resources Ltd., Suite 2300 – 1177 West Hastings Street, Vancouver, British Columbia V6E 2K3 Email: bbailey@arrowstarresources.com, Phone: (604) 687-7828 and Fax: (604) 408-7499.

Financial Information	As and at for the 3-month period ended July 31, 2019 (unaudited) \$	As and at for the fiscal year ended April 30, 2019 (audited) \$
Statement of Operation		
Revenue	-	—
Operating Expenses	492,882	849,614
Other Items	45,968	54,375
Net Income / Losses	(538,850)	(903,989)
Financial Position		
Current Assets	1,733,121	2,399,459
Total Assets	7,309,321	6,254,518
Total Liabilities	4,138,160	2,544,507
Shareholder's Equity (Deficit)	3,171,161	3,710,011

DESCRIPTION OF CAPITAL STRUCTURE

Authorized Capital

The authorized share capital of Adastra consists of an unlimited number of Class A Voting common shares. As of the date of this Circular, there are 81,138,333 Adastra Shares issued and outstanding.

Common Shares

Holders of Adastra Shares are entitled to receive notice of any meetings of shareholders of Adastra, to attend and to cast one vote per Adastra Share at all such meetings. The holders of Adastra Shares shall be entitled to receive dividends as and when declared by the board of directors of Adastra out of moneys properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine and all dividends which the board of directors of Adastra may declare on the Adastra Shares shall be declared and paid in equal amounts per share on all Adastra Shares at the time outstanding. In the event of dissolution, liquidation or winding-up of Adastra, whether voluntary or involuntary, or any other distribution of assets of Adastra among its shareholders for the purpose of winding up its affairs, and any other shares ranking senior to the Adastra Shares with respect to priority in the distribution of assets upon dissolution, liquidation, winding-up or distribution for the purpose of winding up, the holders of the Common Shares shall be entitled to receive the remaining property and assets of Adastra on a pro rata basis according to the number of Adastra Shares held. The Adastra Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Consolidated Capitalization

The following table sets forth the capitalization of Adastra as at October 21, 2019.

Designation of Security	Amount Authorized	Amount Outstanding as of April 30, 2019
Class A Voting Common Shares	Unlimited	81,138,333

PRIOR SALES

Prior Sales

Since June 18, 2018 (the date of incorporation), Adastra has issued 81,138,333 Adastra Shares as follows, on a pre-Consolidation basis:

<u>Date</u>	<u>Number of Shares</u>	<u>Issue Price per Share</u>	<u>Aggregate Issue Price</u>	<u>Consideration Received</u>
February 7, 2019	26,000,000	\$0.05	\$130,000	Cash
February 28, 2019	21,750,000	\$0.02	\$435,000	Cash
March 7, 2019	21,053,333	\$0.075	\$1,579,000	Cash
March 31, 2019	8,203,333	\$0.15	\$1,230,500	Cash
April 30, 2019	4,131,667	\$0.30	\$1,239,500	Cash
Total:	81,138,333		\$4,614,000	

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

There are currently no securities of Adastra which are subject to escrow provisions.

PRINCIPAL SECURITYHOLDERS

The following table lists those persons who own 10% or more of the issued and outstanding Adastra Shares of Adastra as at the date hereof:

Name and Municipality of Residence of Shareholder	Type of Ownership	Number of Adastra Shares	Percentage of Adastra Shares Owned Before Combination
Leonard Mullock Surrey, BC	Direct	14,376,667	17.8%
Brian Brennan Surrey, BC	Direct	13,970,000	17.3%
Kenneth Johnston White Rock, BC	Direct	13,800,000	17.1%

DIRECTORS AND EXECUTIVE OFFICERS

The following table and notes thereto sets out the name of each director and officer, the province and country in which they are ordinarily resident, all offices of Adastra held by them, the principal occupation, the period of time for which they have been a director of Adastra, and the number of Adastra Shares beneficially owned by each of them, directly or indirectly, or over which they exercise control or direction, as at the date hereof.

Name, Position, Province or State and Country of Residence	Principal Occupation During Past Five Years ⁽¹⁾	Date Became a Director	Number of Common Shares beneficially owned or controlled or directed, directly or indirectly ⁽¹⁾
Andy Hale, BSAE, MBA, PMP Chief Executive Officer Vancouver, British Columbia	35 years of experience leading high-performing technical teams in regulated environments spanning the US Navy where he commanded three nuclear powered submarines to a \$3B Canadian Government Shipbuilding portfolio at Seaspan Shipyard	On Listing	4,140,000
Stephen Brohman, CPA, CA Chief Financial Officer British Columbia, Canada	Certified Professional Accountant; former President, Chief Executive Officer and a director of SG Spirit Gold Inc., former Chief Financial Officers Dolly Varden Silver Corp., and former Chief Financial Officer and Director of Silver Viper Minerals Corp., all TSXV-listed mineral exploration companies, founder of Oakside Advisory Ltd., a management services company, since April 2014	August 26, 2018	500,000
Blaine Bailey, B.Comm, CPA, CGA Director British Columbia, Canada	Certified Professional Accountant; Chief Financial Officer of Latin Metals Inc. since June 2015, Cardero Resource Corp. since November 2011, Arrowstar Resources Corp. since July 2005, VR Resources since March 21, 2017, Goldplay Exploration Ltd since March 3, 2018, Velocity Minerals since July 21, 2017, Panorama Capital Corp, since December 18, 2018 and Principal of Promaid Services Ltd. since September 2002	October 1, 2019	200,000
George Routhier, Director Ontario, Canada	CEO at PipeDreemz Inc., a premier cannabis licensing regulations consulting company responsible for the successful licensing of nearly 30 percent of cannabis Licensed Producers across Canada over the past six years	On Listing	0

Notes:

- (1) The information as to Common Shares beneficially owned or over which a director or officer exercises control or direction, not being within the knowledge of Arrowstar, has been furnished by the respective directors or officers individually.

Management

Andy Hale, BASE, MBA, PMP – Chief Executive Officer

In 1984, Mr. Hale attained a Bachelors of Aerospace Engineering degree from the United States Naval Academy. In 2009, he further attained a Masters of Business Administration degree from the University of Massachusetts at Amherst.

Mr. Hale has 35 years of experience leading high-performing technical teams in regulated environments spanning the US Navy where he commanded three nuclear powered submarines to a \$3B Canadian Government Shipbuilding portfolio at Seaspan Shipyard.

Mr. Hale has served as the Chief Executive Officer of ALH since June 2018, and of the New Issuer on closing of the Securities Exchange Transaction. He has been with ALH from the beginning, working towards the licence application, acquisition of building and equipment and hiring of staff and employees. He successfully completed the licence application where no material deficiencies were noted. He has hired qualified staff scientists and consultants to assist and fill any gaps in knowledge, and expects to hire more after Health Canada approval so as to not disrupt the review process. Mr. Hale has an in depth knowledge of the industry as he has been working through the process with GMP standard consultants, Health Canada and ISO certifications. In addition, he has led the construction of the facility with Fusion Projects and facilitated the purchase of equipment from Extract Labs (United Science) through rigorous comparisons from vendors. Mr. Hale has attended numerous trade shows in Las Vegas, Toronto and Vancouver, meeting with the top CEOs and business development teams in the industry. He has navigated the new zoning standards for the Township of Langley and has successfully attained the first Cannabis specific zoning from the municipality.

Mr. Hale expects to devote 90% of his time to the affairs of the New Issuer.

Stephen Brohman, CPA, CA – Chief Financial Officer and Corporate Secretary

In 2008, Mr. Brohman attained a Bachelors of Business Administration and Advanced Business Administration Diploma from Capilano University. In 2011, Mr. Brohman further attained a Certified Professional Accountants CA from the Institute of Chartered Accountants, British Columbia.

Mr. Brohman is a Certified Professional Accountant and former President, Chief Executive Officer and Director of SG Spirit Gold Inc., former Chief Financial Officer of Dolly Varden Silver Corp., and former Chief Financial Officer and Director of Silver Viper Minerals Corp., all TSXV-listed mineral exploration companies. In addition, he is the Founder of Oakside Advisory Ltd., a management services company.

Mr. Brohman expects to devote 20% of his time to the affairs of the New Issuer.

Blaine Bailey, B.Comm, CPA, CGA – Director

In 1972, Mr. Bailey attained a Diploma in Business Administration from the Saskatchewan Technical Institute. In 1977, he also attained a Bachelor of Commerce (Hons.) degree from the University of Manitoba. In 1983, he further attained a Certified Professional Accountants CGA, British Columbia.

Mr. Bailey is a Certified Professional Accountant, and the Chief Financial Officer of Latin Metals Inc. since June 2015, Cardero Resource Corp. since November 2011, Arrowstar Resources Corp. since July 2005, VR Resources since March 21, 2017, Goldplay Exploration Ltd since March 3, 2018, Velocity Minerals since July 21, 2017, Panorama Capital Corp, since December 18, 2018 and Principal of Promaid Services Ltd. since September 2002.

Mr. Bailey expects to devote 10% of his time to the affairs of the New Issuer.

George Routhier – Director

Mr. Routhier is the CEO of PipeDreemz Inc., a cannabis licensing regulations consulting company responsible for the successful licensing of approximately 30 percent of cannabis Licensed Producers across Canada over the past six years.

Mr. Routhier is expected to assist on additional regulator and risk areas.

Mr. Routhier expects to devote 10% of his time to the affairs of the New Issuer.

EXECUTIVE COMPENSATION

The overall objective of Adastra’s compensation strategy is to offer compensation to ensure that Adastra has in place programs to attract, retain and develop management of the highest caliber.

Disclosure and Compensation

Adastra was incorporated on June 18, 2018. The following table provides information regarding compensation paid to or earned by the Named Executive Officers of Adastra for the last three completed Adastra’s financial years.

NEO Name and Principal Position	Year ⁽¹⁾	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$)		All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans		
Andy Hale CEO	2019	182,224	Nil	Nil	Nil	Nil	Nil	182,224
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Stephen Brohman CFO	2019	35,906	Nil	Nil	Nil	Nil	Nil	35,906
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Financial years ended April 30. This column discloses the actual salary earned during the fiscal years indicated.
- (2) Adastra does not have a share-based compensation plan.
- (3) Adastra does not have an option-based compensation plan.
- (4) Adastra does not have a retirement plan.

Incentive Plan Awards

As at April 30, 2019, Adastra had not granted any stock options.

Pension Plan Benefits

Adastra does not have any pension or retirement plans or arrangements for Adastra’s Named Executive Officers or employees.

Termination and Change of Control Benefits

Adastra does not have any plan, arrangement or agreement whereby any Named Executive Officer may be compensated in the event of that Named Executive Officer’s resignation, retirement or other

termination of employment or in the event of a change of control of Prepsera or a change in the Named Executive Officer's responsibilities following such change of control.

Direction Compensation

Other than compensation paid to the Named Executive Officers who are also directors of Adastra, no compensation was paid to directors in their capacity as directors of Adastra, or as consultants or experts, during the fiscal year ended April 30, 2019.

Indebtedness of Directors and Officers

No director or officer of Adastra, any proposed director or officer of Adastra is or has been indebted to Adastra.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth below, and the transactions contemplated by the Share Exchange Agreement, since June 18, 2018 (being the date of incorporation of Adastra's and commencement of the last completed financial year), no director, executive officer or 10% shareholder of Adastra or any associate or affiliate of any such Person, has or had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect Adastra.

Stephen Brohman, who became Chief Financial Officer of Adastra on August 26, 2018, currently serves as a director Arrowstar, and is a securityholder of Arrowstar.

AUDITORS

The auditor of Adastra is Davidson & Company LLP, Chartered Professional Accountants.