
CORPORATE UPDATE TO ADASTRA LABS HOLDINGS LTD. SHAREHOLDERS

Vancouver, B.C. – December 30, 2019, Adastra Labs Holdings Ltd. (formerly Arrowstar Resources Ltd. (“Adastra” or the “Company”)) is pleased to supply the following Corporate update to the Company’s shareholders.

The Company previously announced on November 4, 2019 it had received conditional approval from the Canadian Securities Exchange (the “CSE”) to have its shares listed on the CSE. On August 8, 2019 the Company issued a comprehensive news release detailing a letter of intent (the “LOI”) to enter into a Share Exchange Agreement with Adastra Labs Holdings (2019) Ltd. (formerly Adastra Labs Holdings Ltd.) (“Adastra 2019”) whereby the parties would complete a business combination by way of a transaction that would constitute a reverse takeover of the Company by Adastra 2019 (the “Transaction”).

As part of the closing of the Transaction the Company has completed the following:

- The Company received approval from the TSX Venture Exchange (“TSXV”) for the voluntary delisting of the Company’s common shares from the TSXV. Effective at the close of trading on December 17, 2019, the shares of the Company were delisted from the TSXV.
- The Company’s Board of Directors approved a consolidation of its issued and outstanding common shares based on one (1) post-consolidation common share for every five (5) pre-consolidation common shares. As a result of the consolidation, the number of issued and outstanding common shares is reduced from 27,924,921 to 5,584,988 (subject to fractional treatment). The effective date and time of the consolidation is December 18, 2019. The new CUSIP number for the post-consolidation common shares is 04281R300 and the new ISIN number is CA04281R3009.
- The Company has closed a non-brokered private placement and issued 10,000,000 common shares at a price of \$0.05 per share for gross proceeds of \$500,000 and the proceeds will be used for general working capital. The securities issued under this financing are subject to a hold period expiring on April 20, 2020 in accordance with applicable securities laws. The non-brokered private placement closed post-consolidation of shares.

Also as contemplated in the Transaction, effective December 19, 2019 the Company changed its name from Arrowstar Resources Ltd. to “Adastra Labs Holdings Ltd.” as permitted by the relevant regulatory authorities and approved by the directors.

The Company has also completed a debt settlement with arm’s length and non-arm’s length creditors and pursuant to the debt settlement agreements the Company settled \$303,552 in consideration for which it issued 6,071,046 common shares at a deemed price of \$0.05 per share. Certain officers and directors of the Company participated in the debt settlement by settling debt of \$110,000 for which 2,200,000 common shares were issued. The securities issued under this debt settlement are subject to a hold period expiring on April 20, 2020 in accordance with applicable securities laws. The debt settlement closed post-consolidation of shares.

The Share for Share Exchange entered into as of August 1, 2019 closed effective December 19, 2019 and shares of Adastra totalling 81,138,333 were issued to the former shareholders of Adastra 2019. 26,000,000 of their shares are held in escrow by Computershare Trust Company of Canada to be released 10% on the Listing Date of the Company on the Canadian Securities Exchange and 15% every six months thereafter, such that all shares will be released from escrow within 36 months of the Listing Date.

In accordance with the Transaction closing terms, the Company completed a non brokered private placement (the “Unit Private Placement”) pursuant to which 5,892,455 units (post-Consolidation) of the Company (the “Units”) at a price of \$0.45 per Unit for aggregate gross proceeds of \$2,651,605. Each Unit is comprised of one common share of the Company (a “Unit Share”) and one transferable common share purchase warrant, with each whole warrant (a “Warrant”) exercisable to purchase one common share of the Company (a “Warrant Share”) until December 19, 2021, at a price of \$0.60 per Warrant Share. The Private Placement Units are subject to a hold period expiring on April 20, 2020 in accordance with applicable securities laws.

Also in accordance with the Transaction closing, the Company completed a private placement offering of 12% Secured Convertible Debentures (the “Debentures”) in the aggregate principal amount of \$3,177,000, which Debentures will be payable on the earlier of two years from the date of issue or an event of default in accordance with the terms of the Debentures (the “Maturity Date”). In accordance with the terms of the Debentures, the principal amount plus accrued and unpaid interest of a Debenture (the “Obligations”) is convertible into units (“Debenture Units”) (post-Consolidation of the Company at \$0.45 (the “Conversion Price”) for a period from the date of issue to the Maturity Date. Each Debenture Unit will consist of one common share (a “Debenture Share”) and share purchase warrant (a “Debenture Warrant”), with each Debenture Warrant exercisable into one common share of the Company (a “Debenture Warrant Share”) at a price of \$0.75 common share for a period of two years from the date of issuance of the Debenture Warrants. The Debenture Units are subject to a four month hold period in accordance with applicable securities laws.

Effective December 19, 2019, Andrew Jarvis and Phillip Thomas resigned as directors and officer of the Company and George Routhier and Andy Hale were appointed directors of the Company. Andy Hale was appointed President and Chief Executive Officer of the Company and Stephen Brohman was appointed Chief Financial Officer of the Company.

About Adastra Labs Holdings Ltd.

Adastra (through its wholly owned subsidiaries, Adastra Labs Inc. and Chemia Analytics Inc.) is in the application process to become a Standard Processor and has received an Analytical Testing Licence by Health Canada under the *Cannabis Act and Cannabis Regulations* to become a analytical testing laboratory under the Cannabis Act administered by Health Canada, with licences to produce cannabis extracts and provide third party analytical testing services. These licences will further enable Adastra and its subsidiaries to produce, package, sell (wholesale), and export medically focused and recreational cannabis extract and concentrate products in Canada to other licensed entities and internationally in jurisdictions where medical cannabis extraction products are legal.

The Company’s operations include a facility in British Columbia, Canada. The Company is developing its 13,035 square feet facility to be fully devoted to standard processing and laboratory testing, from which it expects to produce significant amounts of cannabis oil and/or hemp oil for the Canadian wholesale medical and recreational markets.

The Company intends to offer a suite of unique products under several existing consumer-focused brands, including tinctures, medicinal oils, concentrates, gel capsules and vaporizer pens. Through acquisition of existing cannabis extraction brands and careful development of its new brands, Adastra is working to position itself to become a leader in branded, commercialized products in both the medical and adult-use markets across North America and internationally.

For more information, please contact:

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On Behalf of the Board of Directors,
Adastra Labs Holdings Ltd.
“Blaine Bailey”
Director

Forward-Looking Statements: This document includes forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning the Company's transaction. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions are forward-looking statements. Although Adastra believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements are disclosed under the heading "Risk Factors" and elsewhere in the corporation's periodic filings with Canadian securities regulators.