FORM 2A
LISTING STATEMENT

ADASTRA LABS HOLDINGS LTD.
(the “Issuer”)

December 30, 2019

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GLOSSARY

"**562BC Ltd.**" mean 1178562 B.C. Ltd.

"**ABI**" means Adastra Brands Inc.

"**ACMPR**" means the Access to Cannabis for Medical Purposes Regulation (SOR/2016-230), which was repealed and replaced by new regulations under the Cannabis Act, the Cannabis Regulations, on October 17, 2018.

"**Acquisition**" means the acquisition of all the issued and outstanding ALH Shares by the Issuer as set out in the Securities Exchange Transaction.

"**Affiliate**" means a corporation that is affiliated with another corporation as described below.

A corporation is an "affiliate" of another corporation if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same person.

A corporation is "controlled" by a person, if:

(a) voting securities of the corporation are held, other than by way of security only, by or for the benefit of that person; and

(b) the voting securities, if voted, entitle the person to elect a majority of the directors of the corporation.

A person beneficially owns securities that are beneficially owned by:

(a) a corporation controlled by that person; or

(b) an affiliate of that person or an affiliate of any corporation controlled by that person.

"**ALH**" means Adastra Labs Holdings (2019) Ltd., the private company.

"**ALH Auditors**" has the meaning ascribed to it in section 21.1.

"**ALH Board**" means the board of directors of ALH.

"**ALH Financial Statements**" means the statement of financial position of ALH as at April 30, 2019 and the statements of comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the period from incorporation on June 18, 2018 to April 30, 2019.

"**ALH Shares**" means the shares of ALH.

"**ALH Securityholders**" means those persons that are registered holders of ALH Securities of record immediately prior to Closing.

"**ALH Shareholders**" means the shareholders of ALH.

"**ALI Shares**" means the common shares in the capital of ALI.

"**ALI**" means Adastra Labs Inc.

"**ALI Cannabis Licence**" means a licence to be issued by Health Canada under the Cannabis Act, which licence will designate that pursuant to the Cannabis Act ALI will be a licensed cannabis processor.

"**Associate**" has the meaning ascribed to such term in the *Securities Act* (British Columbia), as amended, including the regulations promulgated thereunder.

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder.

"**CAI**" means Chemia Analytics Inc.

"**CAI Cannabis Licence**" means a licence to be issued by Health Canada under the *Cannabis Act*, which licence will designate that pursuant to the *Cannabis Act* CAI will be a licensed cannabis tester.

"**Cannabis Act**" means the shortened title to "An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts", S.C. 2018, c.16, which received Royal Asset and was enacted on June 21, 2018 and which came into effect on October 17, 2018, as such may be amended from time to time.

"**Cannabis Licence Application**" means an application to Health Canada requesting it be issued a Cannabis Licence.

"**Cannabis Licenses**" means the ALI Cannabis License and the CAI Cannabis License.

"**Cannabis Regulations**" means the regulations to the *Cannabis Act* which came into effect on October 17, 2018, as such may be amended from time to time.

"**CDSA**" means the *Controlled Drug and Substances Act* (Canada), S.C. 1996 c.19 Assented to 1996-06-20. An Act respecting the control of certain drugs, their precursors and other substances and to amend certain other Acts and repeal the *Narcotic Control Act* in consequence thereof.

"**Change of Business**" means the change of business of the Issuer from junior resource activities to the cannabis industry.

"**Chief Executive Officer**" or "CEO" means an individual who served as chief executive officer of the Issuer or ALH as the context requires, or performed functions similar to a chief executive officer, for any part of the most recently completed financial year.

"**Chief Financial Officer**" or "CFO" means an individual who served as chief financial officer of the Issuer or ALH as the context requires, or performed functions similar to a chief financial officer, for any part of the most recently completed financial year.

"**Closing**" means the closing of the Securities Exchange Transaction pursuant to the terms of the Share Exchange Agreement.

"**Closing Date**" means the date on which the Closing occurred, being December 19, 2019.

"**Common Shares**" means the common shares of the Issuer or ALH as the context requires.

"**Computershare**" means Computershare Trust Company of Canada.

"**Consideration Shares**" means the Issuer Shares issued from treasury to the ALH Shareholders at Closing pursuant to the terms of the Share Exchange Agreement.

"**Convertible Debentures**" means the convertible debentures assumed by the Issuer.

"**CSE**" means the Canadian Securities Exchange.

"**CSE Listing**" means the listing of the Common Shares on the CSE.

"**CSE Policies**" means the rules and policies of the CSE in effect as of the date hereof.

"**CTLS System**" means Health Canada's Cannabis Tracking and Licensing System, a public facing web application that enables the submission of new license applications, request for amendments and license renewals in addition to submission of monthly tracking report. Only those applicants that have received approval from Health Canada are granted access to the CTLS System to submit a license application and/or submit monthly tracking reports.

"**Escrow Agent**" means Computershare Investor Services Inc.

"**Escrow Agreement**" means the escrow agreement entered into by the Issuer, the Escrow Agent and certain securityholders of the Issuer, in compliance with the requirements of the CSE.

"**Escrowed Securities**" means the Issuer shares that became subject to the Escrow Agreement upon completion of the Share Exchange Transaction (refer to Item 11.1).

"**Facility**" means the building located at 5451 275th Street, Langley, BC V4W 3X8.

"**Governmental Authority**" means any (a) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, court, tribunal, commission, board or agency, domestic or foreign, or (b) regulatory authority, including any securities commission, or stock exchange, including the CSE.

"**Issuer**" means Adastra Labs Holdings Ltd.

"**Issuer Auditors**" has the meaning ascribed to it in section 21.1.

"**Issuer Board**" means the board of directors of the Issuer.

"**Issuer Shares**" means common shares in the capital of the Issuer.

"**Lease**" means the commercial lease dated January 9, 2019, between 562BC (as landlord) and ALH (as tenant) relating to the Facility and the property on which the Facility is located.

"**Listing Date**" means the date of the CSE Listing.

"**Listing Statement**" means this listing statement of the Issuer, including the Schedules hereto, prepared in support of the listing of the Issuer on the CSE.

"**MD&A**" means management's discussion and analysis of the Issuer or ALH, as the context requires.

"**Named Executive Officer**" or "NEO" means each of the following individuals:

(a) a CEO;

(b) a CFO;

(c) in respect of the Issuer and its subsidiaries, the most highly compensated executive officer other than the CEO and CFO at the end of the most recently completed financial year whose total compensation was more than $150,000, as determined in accordance with subsection 1.3(5) of Form 51-102F6V for that financial year; and

(d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Issuer, nor acting in a similar capacity, at the end of that financial year.

"**NP 46-201**" means National Policy 46-201 – Escrow for Initial Public Offerings.

"**person**" means and includes an individual, corporation, partnership, joint venture, society, association, trust, unincorporated organization, the Crown or any agency or instrumentality thereof or any other juridical entity, or any trustee, executor, administrator, or other legal representative thereof.

"**Principals**" has the meaning ascribed to it under NP 46-201, which, generally, includes: (a) directors or senior officers of the Issuer, (b) persons who acted as promoters of the Issuer in the preceding two years, (c) a person that holds more than 20% of the voting securities of the Issuer, and (d) a person that holds more than 10% of the voting securities of the Issuer who has elected or appointed, or has the right to elect or appoint, one or more directors of senior officers of the Issuer. A non-individual entity that is more than 50% held by one or more Principals, is also deemed a Principal. A Principal's spouse and their relatives that live at the same address as the Principal are also treated as Principals.

"**Related Party Transaction**" has the meaning ascribed to such term in Multinational Instrument 61-101 – Protection of Minority Security Holders in Special Transactions.

"**Securities Exchange Transaction**" means the acquisition by the Issuer of all of the ALH Shares from the ALH Shareholders in exchange for the issuance of the Consideration Shares to the ALH Shareholders.

"**SEDAR**" means System for Electronic Document Analysis and Retrieval.

"**Share Exchange Agreement**" means the securities exchange agreement entered into among the Issuer, ALH and all of the ALH Shareholders dated as of August 1, 2019.

"**Stock Option Plan**" has the meaning ascribed to it in Section 9 of this Listing Statement.

"**Unit**" means the units issued under the Convertible Debentures of the Issuer.

"**Warrant**" means the warrants issued under the Convertible Debentures and private placement of the Issuer as the context requires.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Listing Statement constitute forward-looking information and forward-looking statements (collectively, "forward-looking statements") pursuant to the applicable securities laws. All statements, other than statements of historical fact, contained in this Listing Statement are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, proposed acquisitions, budgets, projected costs and plans and objectives of the Issuer. The use of any of the words "anticipate", "intend", "continue", "estimate", "expect", "may", "will", "plan", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Examples of such statements include: (A) expectations regarding the Issuer's ability to obtain licensing; (B) the Issuer's ability to raise funding; (C) grow the business and operations of the Issuer; and (D) the use of available funds of the Issuer. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Listing Statement. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the economy generally; obtaining requisite licenses or governmental approvals to conduct business; the revenues from the Issuer's proposed business in cannabis processing and analysis, if any revenues are obtained; interest in the products of the Issuer; competition; and anticipated and unanticipated costs. These forward-looking statements should not be relied upon as representing the Issuer's views as of any date subsequent to the date of this Listing Statement. Although the Issuer has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Issuer. Additional factors are noted under "Risk Factors" in this Listing Statement. The forward-looking statements contained in this Listing Statement are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Listing Statement are made as of the date of this Listing Statement and the Issuer does not undertake an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities legislation.

GENERAL MATTERS

Any market data or industry forecasts used in this Listing Statement, unless otherwise specified, were obtained from publicly available sources. Although the Issuer believes these sources to be generally reliable, the accuracy and completeness of such information are not guaranteed and have not been independently verified.

Statistical information included in this Listing Statement and other data relating to the industry in which the Issuer intends to operate is derived from recognized industry reports published by industry analysts, industry associations and independent consulting and data compilation organizations.

2. CORPORATE STRUCTURE

2.1 Corporate Name; Head and Registered Offices of the Issuer

The full corporate name of the Issuer is "Adastra Labs Holdings Ltd." The head office of the Issuer is located at 2300-1177 West Hastings Street, Vancouver, BC V6E 2K3, and the registered office of the Issuer is located at Suite 2300 – 550 Burrard Street, Vancouver, BC V6C 2B5.

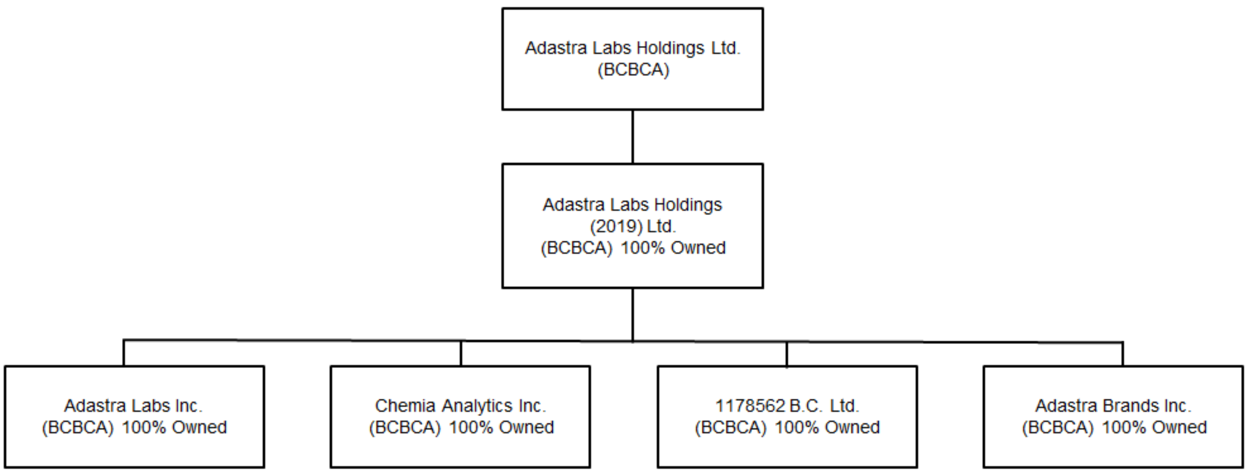
2.2 Corporate Jurisdiction

ALH was incorporated as "PerAspera Holdings Ltd." on June 18, 2018, under the British Columbia Business Corporations Act (BCBCA). On May 24, 2018, pursuant to provisions of the BCBCA, ALH changed its name to "Adastra Labs Holdings Ltd." In connection with the Securities Exchange Transaction, the Issuer changed its name to "Adastra Labs Holdings Ltd." and ALH changed its name to Adastra Holdings (2019) Ltd. The Issuer was incorporated under the BCBCA on October 14, 1987.

2.3 Intercorporate Relations

Prior to completion of the Securities Exchange Transaction, the Issuer has no subsidiaries. On closing of the Securities Exchange Agreement the Intercorporate Relations are as follows:

Intercorporate Relations



On closing of the Securities Exchange Transaction, the Issuer has one wholly owned subsidiary, ALH. ALH has four wholly-owned subsidiaries, 1178562 BC Ltd. ("562BC"), which is the owner of the Facility, Adastra Labs Inc. ("ALI"), the extraction and concentrates production facility, Adastra Brands Inc. ("ABI"), a holding company for acquisition of and in house creations of branding, and Chemia Analytics Inc. ("CAI"), a cannabis testing and analysis laboratory. Refer to Item 17 – "Risk Factors" for details on risk factors relating to the Cannabis Applications, other assets and proposed business.

2.4 Summary of Securities Exchange Transaction

A summary of the Securities Exchange Transaction is set out in "*3.2 Significant Acquisitions or Dispositions – The Securities Exchange Transaction*" and in "*2.3 Intercorporate Relations*".

2.5 Non-Corporate Issuers and Issuers Outside of Canada

This is not applicable to the Issuer.

3. GENERAL DEVELOPMENT OF THE BUSINESS

THE ISSUER

3.1 General Development of the Business

The Issuer was incorporated under the laws of British Columbia on October 14, 1987. The Issuer's registered office is at Suite 2300 – 550 Burrard Street, Vancouver, BC V6C 2B5.

The Issuer entered into a Share Exchange Agreement dated as of August 1, 2019 with ALH and the ALH Shareholders pursuant to which the Issuer acquired all of the issued and outstanding common shares of ALH in consideration of issuing to the former shareholders of ALH an aggregate of 81,138,333 Common Shares of the Issuer, such that ALH became a wholly-owned subsidiary of the Issuer, and the former shareholders of ALH became shareholders of the Issuer.

The acquisition of ALH is a non-arm's length transaction for the Issuer. Shareholder approval of both ALH and the Issuer was obtained for Closing.

Additional information pertaining to the Issuer including financial information is contained in the various disclosure documents of the Issuer filed with applicable securities commissions and made available through the Internet under the Issuer's SEDAR profile at www.sedar.com.

ALH

ALH was a private company based in British Columbia and incorporated on June 18, 2018 for the purpose of applying for Cannabis Licenses. ALH has four wholly-owned subsidiaries: (1) ALI, the extraction and concentrates production facility; (2) CAI, a cannabis testing and analysis laboratory; (3) 562BC a holding Company for the Facility; and (4) ABI, a holding company for future branding of cannabis products. ABI has no activities to date.

On July 13, 2018, ALH hired technical staff for ALI and CAI.

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

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

On January 9, 2019, ALH entered into a lease agreement with 562BC, the holder of the property. On June 12, 2019, ALH acquired all of the shares of 562BC.

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

In mid-February 2019, ALH finalized its plans for the retrofit of the Facility.

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

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

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

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

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

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

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

On May 10, 2019, ALH received a status letter from Health Canada advising that there are no critical concerns at this time. See "*4.1 Description of the Business – Cannabis – Current Status of Cannabis License Applications*".

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

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

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

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

On October 25, 2019, CAI received its analytical testing license from Health Canada.

In late November, 2019, ALH completed the retrofit of the Facility and on December 2, 2019 ALI submitted its evidence package for its Cannabis (cultivation, processing, sales) license application to Health Canada.

3.2 Significant Acquisitions or Dispositions

THE SECURITIES EXCHANGE TRANSACTION

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

As part of the restructuring, the Issuer completed a 5-1 share consolidation prior to the issuance of the Consideration Shares.

Prior to completion of the Securities Exchange Transaction, ALH had 81,138,333 ALH Shares issued and outstanding in consideration for which the Issuer issued 81,138,333 Consideration Shares at Closing.

Andrew Hale and Georges Routhier were appointed to the Issuer Board of Directors upon completion of the Securities Exchange Transaction. Andrew Hale was appointed CEO and Stephen Brohman was appointed CFO of the Issuer.

Refer to Item 8 – "CONSOLIDATED CAPITALIZATION" below for information on the Issuer's share capital structure, both before and after completion of the Securities Exchange Transaction.

Upon completion of the Securities Exchange Transaction, ALH became a wholly owned subsidiary of the Issuer. At Closing, ALH's directors and officers resigned with the exception of Andrew Hale, who was appointed the CEO and a director of the Issuer. Andrew Hale will also be the sole director of ALH and each of ALH's subsidiaries.

3.3 Trends, Commitments, Events or Uncertainties

Except as may be disclosed elsewhere in this Listing Statement, the Issuer is not aware of any trend, commitment, event or uncertainty presently known to management and reasonably expected to have a material effect on the Issuer's business, financial condition, or results of operations.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 Description of the Business

ALH is an integrated Canadian cannabis company focused on extraction and associated analytical testing. ALH, through its wholly-owned subsidiaries, has one pending license application, to produce cannabis extracts under the Cannabis Act (application #APP-EUSJTWRP51-2018). In addition, one subsidiary CAI has been granted a license by Health Canada 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 ALH, 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. ALH 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 in the quarter ended March 31, 2020.

ALH has four wholly-owned subsidiaries: 1178562 BC Ltd. ("562BC"), which is the owner of ALH's facility, Adastra Labs Inc. ("ALI"), the extraction and concentrates production facility, Adastra Brands Inc. ("ABI"), a holding Company for acquisitions and in house creation of branding, and Chemia Analytics Inc. ("CAI"), a cannabis testing and analysis laboratory.

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

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 detla-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 became legally available for sale 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 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 have 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, ALH 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). The Cannabis Licences that ALI has applied for will permit it to process and sell its products for either medical or recreational use. CAI has been granted an Analytical Testing Licence by Health Canada effective October 25, 2019.

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, Heath 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.

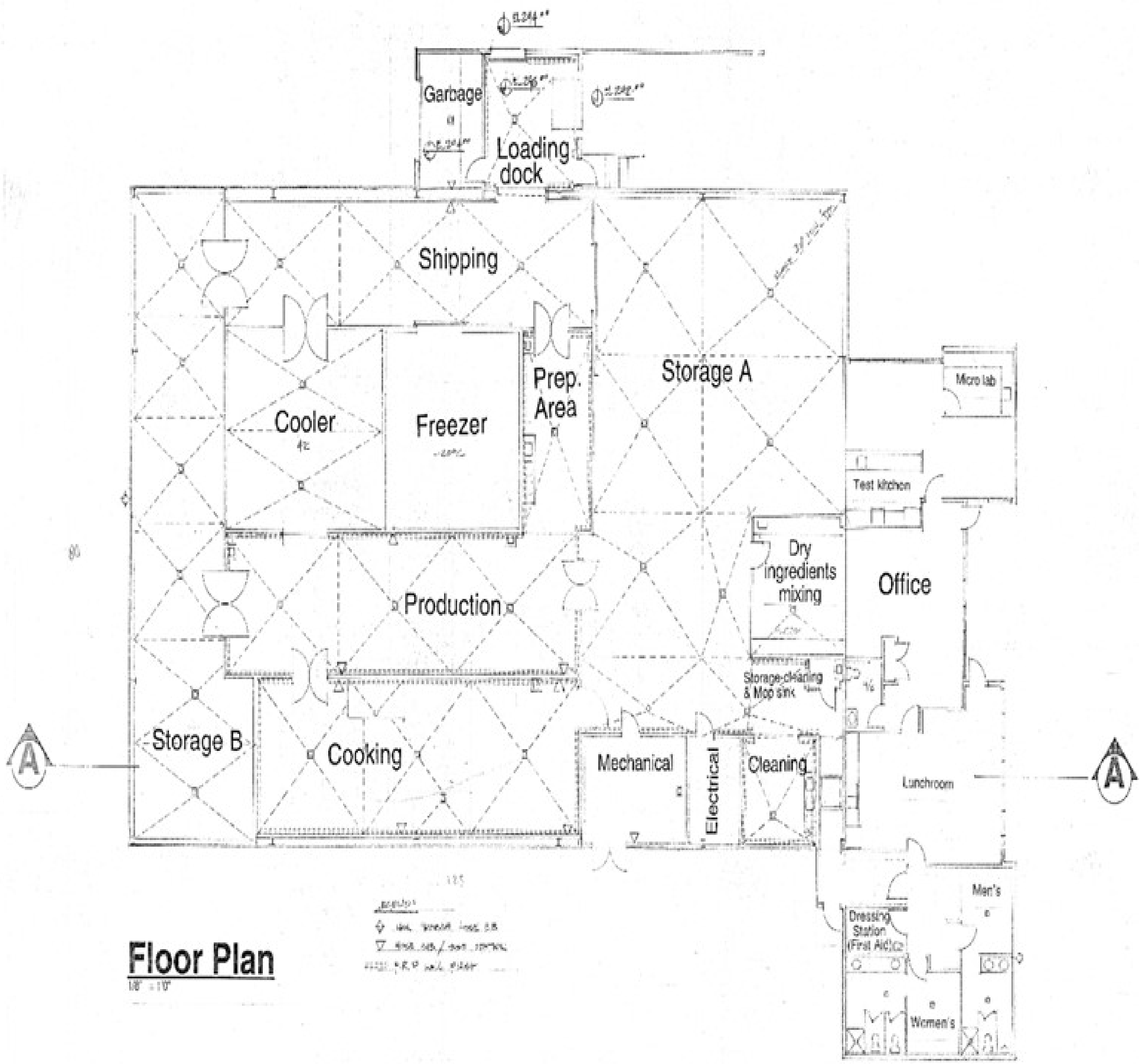
ALH received a status letter from Health Canada on May 10, 2019 advising that there are no critical concerns at this time. Upon completion of the necessary improvements to the Facility, ALH will inform Heath Canada that it is ready for further review.

There can be no assurances that ALI's Cannabis Licence Application will be processed in a timely manner. See "Section 17 RISK FACTORS".

FACILITY

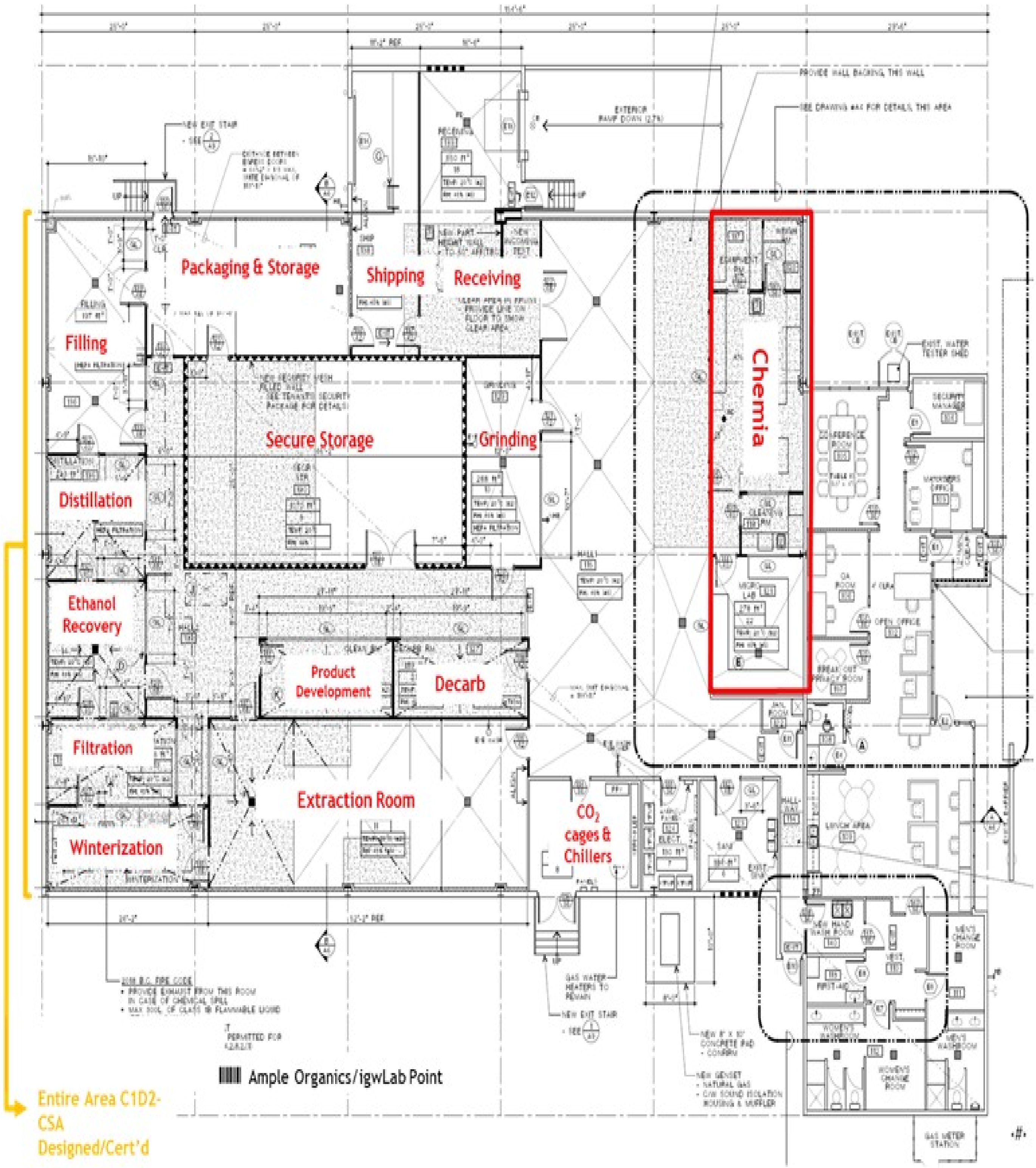
On January 9, 2019, ALH entered into a lease agreement with 562BC, the holder of the property. ALH has subsequently acquired all the common shares of 562BC. The Facility is a 13,035 square foot building that was a former food manufacturing facility.

Figure 3 – Existing Facility Floorplan 13,035 Sq. Ft.



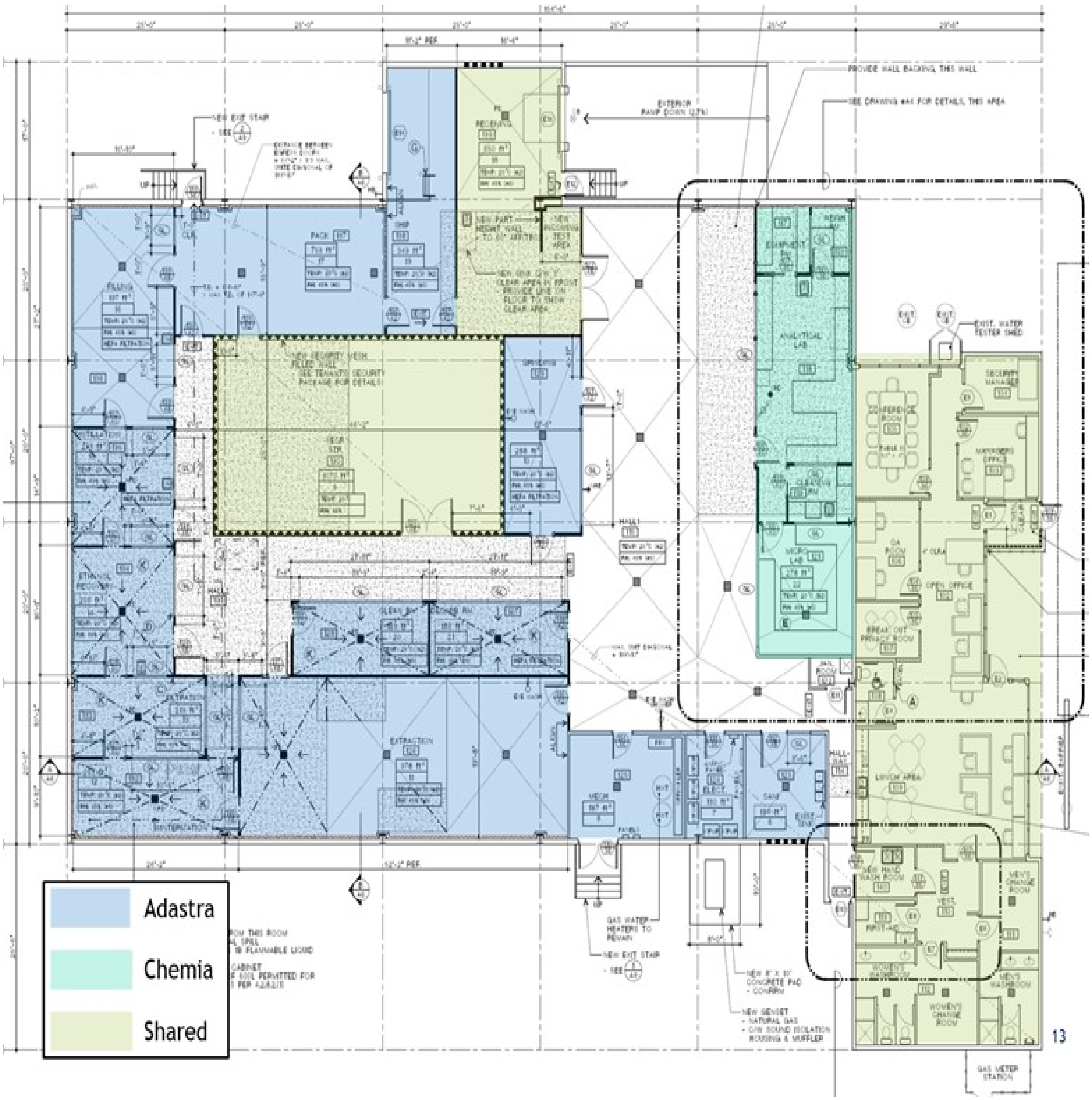
The site was chosen with two important considerations in mind. First, the current design and use of the facility as a food manufacturing facility for 20 years ensures the infrastructure and familiarity of Health Canada regulators with the Facility are optimal for conversion to a GMP cannabis extraction and analytical testing operation. Second, the strategic location in the Lower Mainland of British Columbia will allow ALI and CAI to service Licensed Producers and other cannabis industry operations with easy access.

Figure 4 – Proposed Facility Layout



The Facility modifications are under design with a cross-functional team of cannabis industry consultants, equipment manufacturer design input, and construction and design contractors.

Figure 5 – Revised Floorplan



ALH and CAI will operate together at the Facility. Some portions of the Facility will restrict access to ALH or CAI.

Extraction Equipment

ALH 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 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

BUSINESS OBJECTIVES/MILESTONES

Within 12 months following the date of this Listing Statement, the Issuer plans to achieve the following objectives:

1. Complete renovation of its Facility in Langley, B.C. (Estimated completion: quarter ended March 31, 2020). The Issuer's management will oversee the completion of the Facility retrofit. The estimated cost of these upgrades are as follows:

ITEM	**EXPECTED COST ($)**
Fence & Gates & Turnstile	125,000
Security Equipment	375,000
HVAC	575,000
Lights Upgrade to Flush Mount LED	100,000
Electrical Modifications	175,000
Plumbing Modifications	50,000
Secure Vault	100,000
Walls, FRP cGMP Compliant (Partial)	300,000
Office Modifications	55,000
Epoxy floor (Partial)	150,000
Additional Shipping Exit	25,000
Doors & Hardware + install	115,000
Miscellaneous	255,000
TOTAL	**2,400,000**

2. Purchase and setup extraction, processing and testing equipment (Estimated completion: quarter ended March 31, 2020). The Issuer will fully outfit its centralized facility with equipment necessary to process cannabis at an estimated cost of $1,200,000. Subject to obtaining sufficient financing, the Issuer will also purchase additional equipment to increase its initial capacity at an estimated additional cost of $1,762,500.

3. Secure ALI Cannabis License (Expected completion: quarter ended January 31, 2020) (CAI Cannabis Licence has been issued). The Issuer will look to have secured a Health Canada Standard Processing Licence for production of cannabis oil and sale of cannabis oil to other Health Canada licenced companies (business to business sales only). The Health Canada Analytical Testing License has been obtained. Subject to obtaining sufficient financing, the balance of expenses related to these applications is approximately $100,000.

4. Finalize the launch of the Issuer's ecommerce platform and finalize branding materials (Estimated completion: quarter ended April 30, 2020).

Available Funds

Based on the information available as at the date of this Listing Statement, the Issuer is expected to have approximately $6,759,145 in Total Available Funds.

The pro forma working capital position of the Issuer is estimated to be approximately $3,259,716.

The Issuer completed a $500,000 private placement offering of 10,000,000 common shares at a price of $0.05 per share prior to effecting the Securities Exchange Transaction.

ALH had an outstanding offering of convertible debentures (each convertible debenture, a "Note"). Each Note can be converted to a Unit consisting of one Common share of the Issuer at a price of $0.45 per share and one share purchase Warrant of the Issuer. Each Warrant will entitle to the holder to purchase one additional common share of the Issuer at a price of $0.75 per share for a period of two (2) years from the date of issuance of the Convertible Debenture. The Note will bear 12% interest per annum. The Notes are secured against ALH's Facility located at 5451 – 275th Street, Langley, British Columbia, V4W 3X8, the Notes are subordinate to the mortgage and general security agreement that is on the property. The Convertible Debentures after closing of the Securities Exchange Transaction are to be converted to shares of the Issuer.

The Issuer also completed an offering of Units at a price of $0.45 per Unit amounting to aggregate gross proceeds of $2,651,605. With each Unit consisting of one common share and one share purchase warrant entitling the holder to purchase an additional common share at a price of $0.60 per share for a period of three years from closing. The Units were issued immediately following the Securities Exchange Transaction.

The Board of Directors of the Issuer anticipate using the available funds in the following manner over the next 12 months. The following table sets forth the estimated working capital and amounts and sources of other funds as at the dates indicated.

Source of Funds	**Amount ($)**
Issuer Working Capital (Proforma Financials)	430,540
Issuer Private Placement	500,000
Convertible Debentures	3,177,000
ALH Private Placement	2,651,605
TOTAL AVAILABLE FUNDS	6,759,145

The principal use of the Available Funds, as listed above, is intended to be as follows.

Use of Available Funds	**Amount ($)**
Licensing	100,000

Use of Available Funds	Amount ($)
Site Renovation & Outfitting[(1)]	2,400,000
Production Equipment	1,200,000
E-Commerce Platform Launch	200,000
General & Administrative[(2)]	1,705,000
Financing Commissions Payable	240,000
Interest Payments	120,000
TOTAL USES	5,965,000
Unallocated Working Capital	285,000

Notes
(1) See “Business Objectives and Milestones” above.
(2) See “General and Administrative Expenses” below.

General and Administrative Expenses

Use of Available Funds	Amount ($)
Executive and Administrative Salaries	264,000
Technical Team, Labour and Other Salaries	622,000
Marketing, Advertising and Investor Relations	170,000
Professional Fees	165,000
Software	72,000
Mortgage, Maintenance, Taxes and Insurance	337,000
Insurance	50,000
Filing Fees and Transfer Agent	25,000
TOTAL USES	1,705,000

The Issuer intends to spend the funds available to it to further the Issuer’s stated business objectives. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Issuer to achieve its stated business objectives.

In the event that it wishes to complete any capital expenditures in addition to the amounts set forth above, the Issuer will utilize its unallocated working capital and, if required, raise additional capital through equity or debt financing. There is no assurance that the Issuer will be successful in raising additional capital or that if additional capital is required, that it will be available on terms acceptable to the Issuer.

OPERATIONS

Principal Products

ALH is a health and wellness company focused on the processing of cannabis and cannabis analytical testing. Once ALH’s centralized processing facility in Langley, British Columbia has finished its retrofit and ALI receives a Standard Processing License from Health Canada, ALH will provide processing solutions to licensed cultivators of cannabis and hemp, and supply cannabis oil to qualified Canadian and international business-to-business partners under their own brand.

To meet growing requirements, ALI will be producing ALH’s cannabis extractions for both recreational and medical use.

In addition to providing at-cost analytical testing services to ALI, CAI will provide full-suite cannabis analytical testing services to 3rd parties throughout the Province of British Columbia lower mainland.

The combined ALI/CAI team will be able to provide consulting and testing services for product formulation and development for cannabis product developers.

Extraction

To meet growing requirements, ALI will be producing the Issuer's cannabis extractions for both recreational and medical use.

- Indica and Sativa strains and combinations of both – for various medicinal purposes including anxiety, insomnia, pain, nausea and cancer treatment.

- Premium extracts are expected to have a higher market value but only when they provide a truly unique experience.

Specific products developed by ALI will be initially limited by those currently permitted in the medicinal market and recreational market.

Cannabis is a powerful stimulus that provides a unique experience to each user. With each variation comes a completely different experience. We understand the power that cannabis can have over people and the difference each strain can make. From pain-relief strains to euphoric "outer" body experiences, the Issuer anticipates having unique extracts for the desire of every consumer.

As at the date of this Listing Statement, ALI has submitted the Cannabis Licence Application to Health Canada but does not have a Cannabis Licence. Consequently, ALH currently has no principal products and services. Assuming that ALI receives the Cannabis Licence, ALH anticipates that ALI will process high quality cannabis extracts in the form of capsules and tinctures that are currently permitted by Health Canada. ALI will increase its product line offering for additional products to be manufactured per Health Canada regulations as permitted under the Cannabis Act.

After receiving a Cannabis Licence and producing its first batches of marijuana and cannabis extracts, the Issuer anticipates that ALI will then sell and distribute the marijuana and cannabis extracts to customers as permitted under the Cannabis Act. ALH will develop special product lines, each with its unique identifier and use to allow customers to use cannabis based on why they want to consume it. Each product line has a different strain, giving customers the ability to choose the kind of effect they need and want.

Indica, Sativa and Hybrid strains are used to treat a wide variety of ailments including anxiety, insomnia, lethargy, pain, nausea, as well as HIV and cancer treatment. Each type of strain extract will be derived of a unique blend of premium cannabis plant material. The Issuer also intends to create a line of single-origin and handcrafted cannabis extract products.

Planned products of ALI, some of which are subject to legalization and/or obtaining necessary additional licenses, are projected to include:

- Bulk Low THC Cannabis Oil for tinctures.

- Bulk CBD Oil without THC.

- Consumer packaged Low THC Cannabis Oil.

- Consumer packaged CBD Oil without THC.

- Bulk High THC Cannabis Oil (distillate).
- Bulk Vaporizing pen formulations.
- Bulk water-soluble (nano-emulsion) cannabis oils and distillate.
- Bulk THC distillate Cannabis Gel Capsules (two-part).
- Consumer packaged THC Cannabis Oil Tinctures.
- Consumer packaged Vaporizing pens.
- Consumer packaged THC distillate Cannabis Gel Capsules.

ALH intends to brand its products using proprietary trademarks to be acquired by or developed in house.

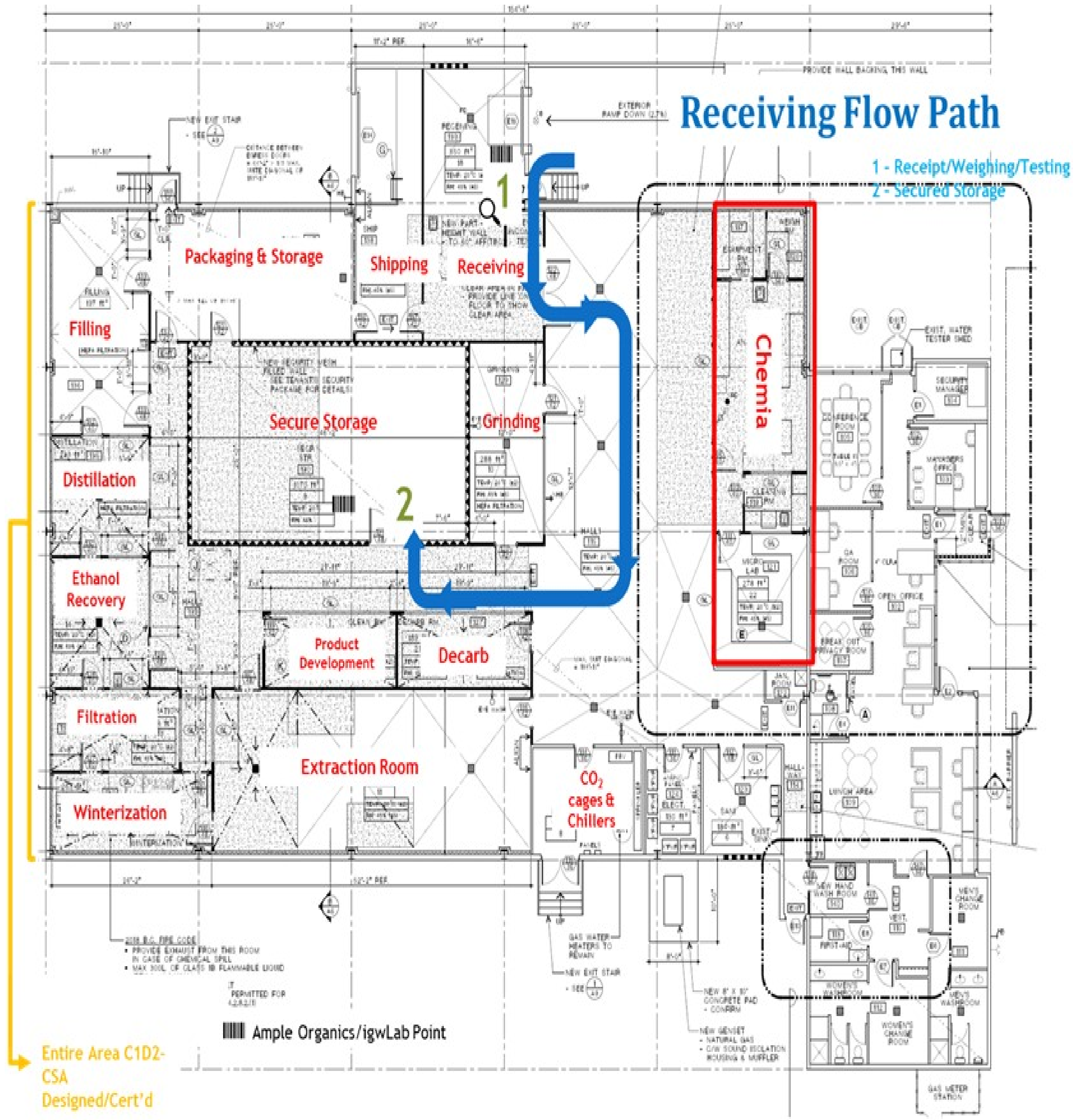
In addition, ALI (Standard Processor License Applicant) anticipates it will provide other Health Canada cannabis licence holders in the industry (Standard Cultivators or other Standard Processors). The ability to process cannabis into cannabis oils, distillate or other extract related formulations as a B2B service for a fee.

No part of the Issuer's business is reasonably expected to be affected in the current financial year by either the renegotiation or termination of any contract.

Production Flow

The production flow of the Facility was designed to maximize the use of the existing production area layout while meeting all the requirements for Cannabis Regulations.

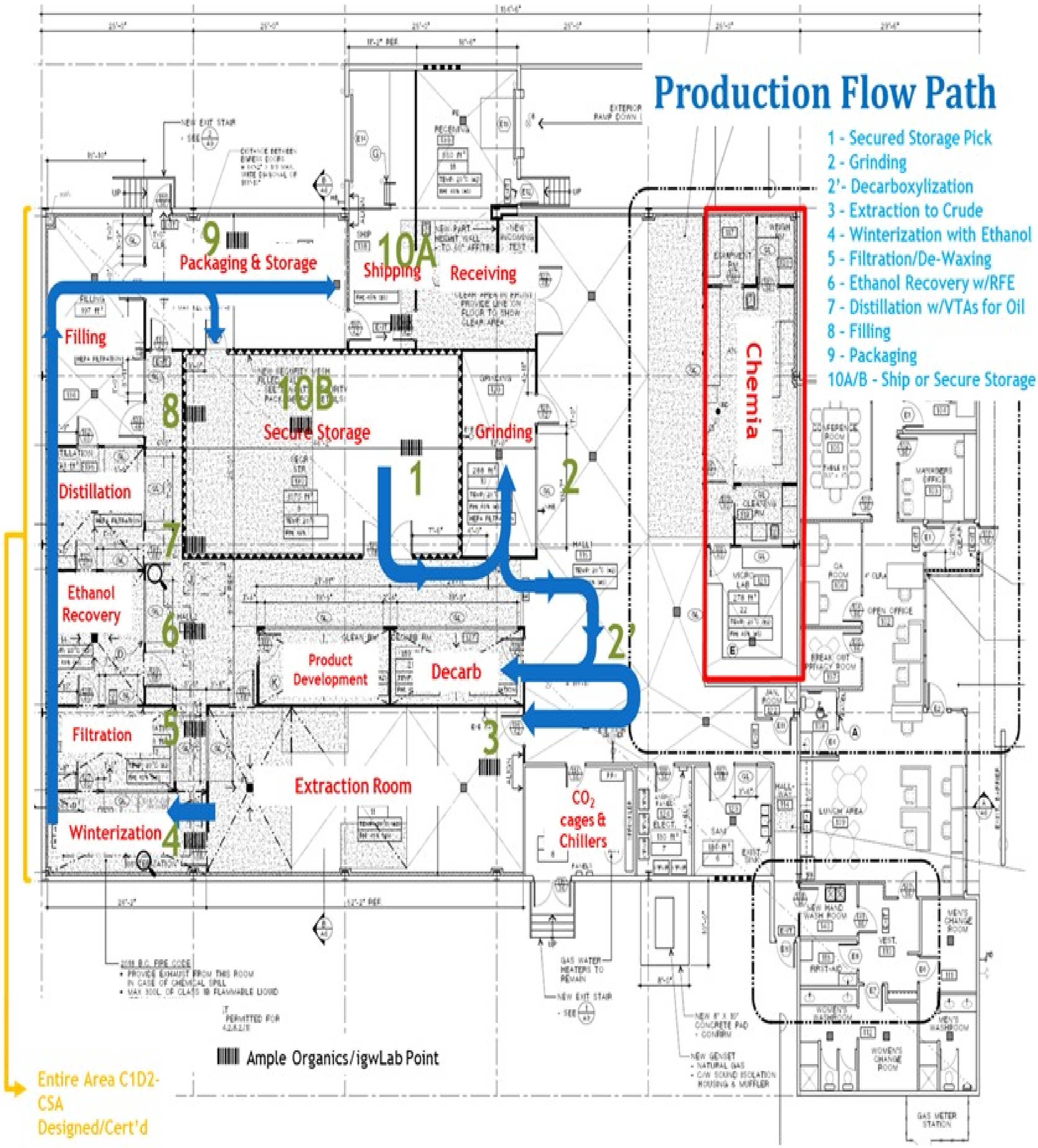
Figure 6 – Receiving Flow Path



The flow path above depicts the receiving process whereby dried cannabis flower and trim is brought into the ALI extraction facility. The first step involves a receipt moisture test, weighing and input into the inventory control system (Ample Organics).

Following successful receipt, dried cannabis is then transferred into a temperature and humidity controlled secure vault until it is withdrawn for extraction.

Figure 7 – Production Flow Path



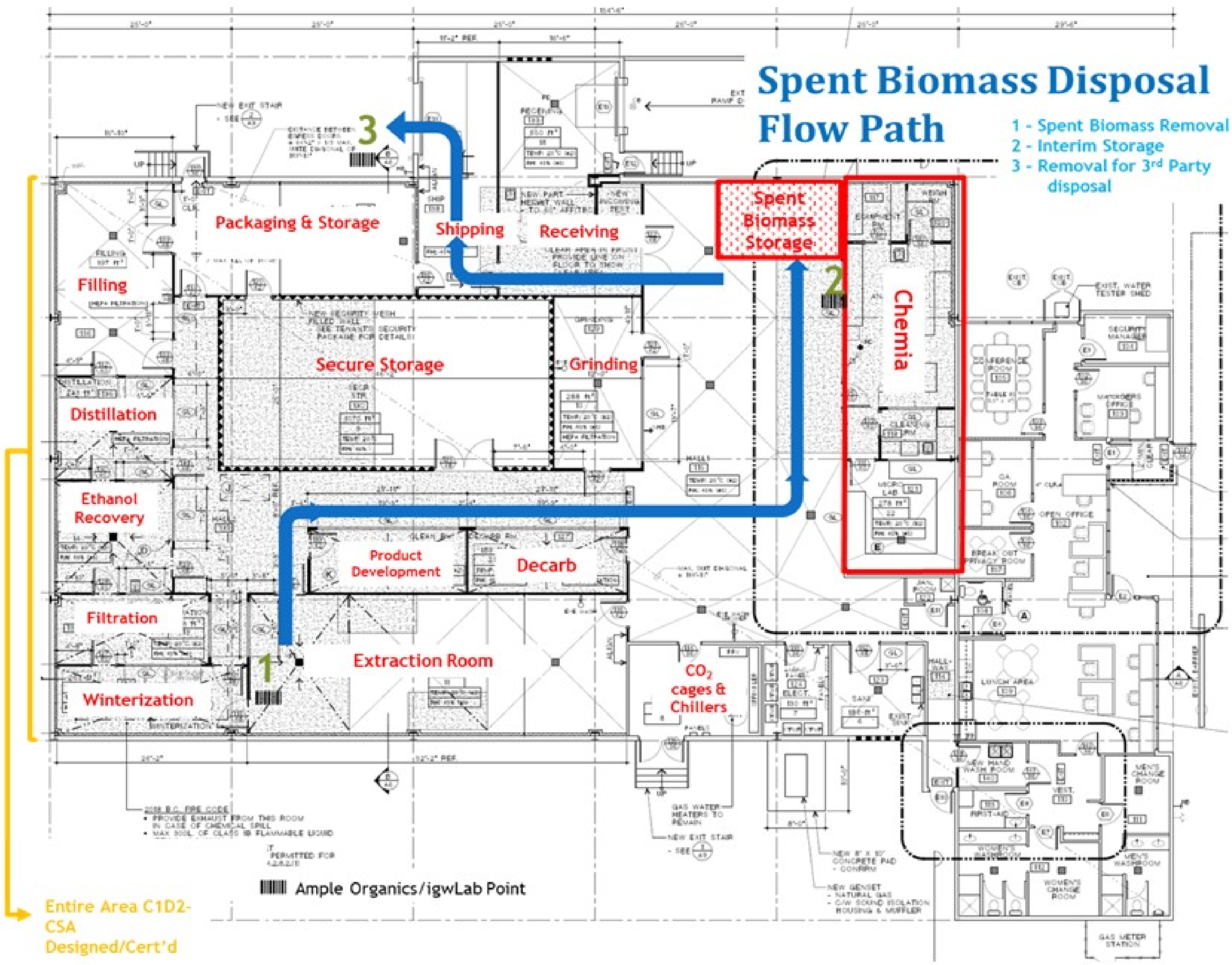
During the production process, dried cannabis is checked out of the secured vault (1) and then transported to one of two grinding stations where it is milled to a fine consistency (2) to maximize surface area and compactness to improve extraction efficiency.

Following grinding the cannabis biomass is transferred to the Decarboxylation room (2') where it is heated in a vacuum and terpenes are extracted by a cold trap. These terpenes will be re-introduced to the extracted cannabis oil. The cannabis biomass is then extracted with supercritical CO2 (3) where crude cannabis oil is produced.

The cannabis crude oil is then mixed with ethanol and stored for 24-48 hours during winterization (4) after which it is filtered using large stainless-steel filters under a vacuum to remove waxes and lipids (5).

The remaining cannabis oil-ethanol mixture is processed through a rotary evaporator to remove and recycle all ethanol (6). The remaining cannabis oil then undergoes another distillation process in the Short Path Distillation equipment to further refine the oil to its purest form (7). If required, the cannabis oil will be diluted to meet Cannabis Act regulations. Finally, the refined and properly dosed cannabis oil is filled into bottles (8) and packaged (9) for sale. The cannabis product can be sent to shipping (10A) or secure storage (10B).

Figure 8 – Spent Biomass Disposal Flow Path



Spent biomass is removed from the CO2 extraction equipment (1) and transported to a caged storage area (2). Spent biomass is THC- and cannabinoid-free and will be disposed of through 3rd party composting (3).

Testing

CAI provides QA/QC and compliance testing services for licensed producers of cannabis and cannabis products under Health Canada regulations. CAI also provides in-process testing services to help cultivators and processors optimize their processes. For QA/QC and compliance testing, any company holding a valid Health Canada cultivation or micro-cultivation, or processing licence can send the Issuer their sample. In addition to that, any dispensary representative, independent patient, and anyone else who wants to learn the chemistry and composition of their cannabis products can send samples for testing.

CAI expects to provide the following testing services:

- Potency Testing
  - Fast, high sensitivity testing to determine the potency of cannabis products. CAI's tests will determine the levels of THCA/THC and CBDA/CBD and their total equivalency. Potency can be determined on fresh/dried flower, oils, extracts and concentrates.
- Microbial Contamination
  - CAI will be outfitted to complete all Health Canada mandated microbial tests on fresh/dried flower, oils, extracts and concentrates. Including amounts of total yeast and mold, total aerobic microbial counts, bile-tolerant gram-negative bacteria, E. coli, and Salmonella. Upon request testing for S. aureus, and P. aeruginosa will be conducted.
- Aflatoxins Analysis
  - CAI's method is capable of fulfilling Health Canada requirements for the analysis of aflatoxins on dried cannabis flower, oils and extracts. Chemia will test for aflatoxins B1, B2, G1 and G2.
- Heavy Metal Analysis
  - Cannabis is known to accumulate heavy metals in its tissues. As required by Health Canada, its lab can efficiently and accurately test dried flower, oil and extracts for lead (Pb), cadmium (Cd), mercury (Hg) and arsenic (As). Additional metal screening for trace elements can also be performed as needed.
- Pesticide Screening
  - Regulations for pesticide use on cannabis are strict. CAI will use a combination of high-tech analytical techniques for pesticides screening. This screening can be done for fresh/dried flower, oils, extracts and concentrates.
- Residual Solvent Analysis
  - To ensure the safety of customer's products and maintain compliance with Health Canada regulations, CAI has developed tests to determine the quantity of residual solvents in cannabis oils, extracts and concentrates. CAI can determine the quantity of methanol, ethanol, acetone, isopropanol (isopropyl alcohol), acetonitrile, hexane, heptane and pentane.

- Loss On Drying
    - Before sale in Canada the moisture content of all dried cannabis flower must be reported. CAI's tests will provide a customer with the percent moisture of customer's products.
- Foreign Matter
    - As per Health Canada regulations the Issuer will visually inspect customer's cannabis products for the presence of foreign material.
- Cannabinoid Profiling
    - In addition to potency testing, CAI can quantify 14 unique cannabinoids in cannabis products. The list of cannabinoids includes Tetrahydrocannabinolic acid (THCA), Δ9-Tetrahydrocannabinol (Δ9-THC), Cannabidiolic acid (CBDA), Cannabidiol (CBD), Cannabinol (CBN), Cannabigerolic acid (CBGA), Cannabigerol (CBG), (±)-Cannabichromenic acid (CBCA), (±)-Cannabichromene (CBC), Tetrahydrocannabivarinic acid (THCVA), Tetrahydrocannabivarin (THCV), Cannabidivarinic acid (CBDVA), Cannabidivarin (CBDV) and Cannabigerovarinic acid (CBGVA).
- Terpene Analysis
    - Flavour and aroma of cannabis come from its terpene profile. That's why CAI can quantify 39 terpenes commonly detected in cannabis. Chemia's tests can determine the quantities of the monoterpenes, alpha-Pinene, Camphene, Sabinene, beta-Pinene, beta-Myrcene, alpha-Phellandrene, (1S)-(+)-3-Carene, alpha-Terpinene, (R)-(+)-Limonene, Eucalyptol, Ocimene, gamma-Terpinene, Sabinene Hydrate, L-(-)-Fenchone, Terpinolene, Linalool, (1R)-Endo-(+)-Fenchyl Alcohol, (1S)-(-)-Camphor, (-)-Isopulegol, Isoborneol, (+/-)-Borneol, Hexahydrothymolalpha-Terpineol,gamma-Terpineol, Geranyl Acetate, (+)-Pulegone, Geraniol, Nerol. CAI can also test for sesquiterpenes including, alpha-Cedrene, trans-Caryophyllene, (-)-Caryophyllene Oxide, alpha-Humulene, Valencene, cis-Nerolidol, trans-Nerolidol, Guaiol, (+)-Cedrol and (-)-Alpha-Bisabolol.

Although CAI will be required to perform all cannabis testing specified in the Cannabis Act Regulations, it is permitted to staged purchase of expensive analytical equipment and certify the various tests in a staggered manner as a way of reducing capital expenditures. Further, CAI plans to finance used equipment that has been certified from the manufacturer to reduce the overall cost and allow for the 3rd party testing revenue to reduce the cost of equipment financing.

Principal Markets

There are two broad segments, medical use and recreational. There is growth and greater acceptance in the medical use of CBD products for pain management, appetite control and cell generation involved in the treatment of cancer, MS, epilepsy and AIDS.

Clients are to include direct retail as well as wholesaling to distributors. The regulations also allow the export of products, subject to obtaining the necessary permitting. To maintain a stable supply in the market that meets the demand level, the Issuer expects to utilize a variety of distribution channels. The Issuer's online presence will also help to connect with the B2B customers. The Issuer will also be targeting other businesses that are licensed by Health Canada for product testing, white labelling products and toll processing.

The retail market for cannabis products is still developing and there is a need for more participants within the industry. Health practitioners and doctors play a key role by introducing their patients to cannabis as an alternative treatment. The Issuer anticipates designing special marketing campaigns for health care professionals through education, forums, training, printed literature, and media.

Within the recreational use segment, the Issuer views the following areas where there are potential growth opportunities:

- 25-to-35-YEAR-OLD URBAN PROFESSIONALS: The 25-to-35 “yuppie” market prefer the upscale branding approach.
- ATHLETES: This target group is a blend of medical and recreational use, seeking CBD products for cell generation and healing properties.
- BABY BOOMERS: This was the original “hippie” generation who likely experimented in their youth. Now, largely with grown children, not needing to set moral standards, or frankly seeing the benefits of legalizing an industry to protect users from indiscriminate processors, they have become more accepting of legalization.

Competitive Conditions

Assuming that the Issuer receives the ALI Cannabis Licence, the Issuer will be competing with other licensed cannabis processors and cannabis testers in Canada.

As of the date of this Listing Statement, there are approximately 275 cultivators, processors and sellers and 78 analytical testers that hold a licence issued by Health Canada under the Cannabis Regulations (as posted on Health Canada’s website: seewww.canada.ca/en/health-canada/services/drugs-medication/cannabis/industry-licensees-applicants/licensed-cultivators-processors-sellers.html and https://www.canada.ca/en/health-canada/services/list-licensed-dealers.html). The Issuer is not aware of the exact number of applications currently submitted to Health Canada. The Issuer anticipates that competition from new participants into the market will increase in the short-to-mid-term, as existing applications in queue with Health Canada are processed and approved. However, the Issuer also believes that many current and prospective applicants will not be able to obtain the necessary funding to conduct the necessary construction activities necessary to submit an initial application or in the case of current applicants, final application. Consolidation in this industry has already started, and management of the Issuer believes that it will likely continue and increase as more producers and vendors are licensed by Health Canada under the new Cannabis Act.

Examples of some public companies currently operating businesses similar to the Issuer are as follows:

Name	**Primary Business**	**Market Capitalization**
Halo Labs Inc. (NEO:HALO)	Cannabis extraction company	Over $80 Million
Valens GroWorks Corporation (CSE: VGW)	Cultivation, extraction and analytical testing	Over $350 Million
Nextleaf Solutions Inc. (CSE: OILS)	Cannabis extraction	Over $50 Million
Medipharm Labs (TSXV:LABS)	Extraction	Over $500 Million

Seasonality

The business of the Issuer is not subject to seasonality fluctuations.

Employees

ALH has 3 employees as of the date of this Listing Statement. The Issuer expects the number of employees to increase once the Cannabis Licenses are received and operations commence.

Lending Operations

Not applicable.

Bankruptcy or Receivership Proceedings

Not applicable.

Material Restructuring Transactions

ALH became a wholly owned subsidiary of the Issuer upon closing of the Securities Exchange Transaction.

Foreign Operations

Not applicable.

Social or Environmental Policies

Not applicable.

4.2 Companies with Asset-backed Securities Outstanding

Not applicable.

4.3 Mineral Projects

Not applicable.

4.4 Issuers with Oil and Gas Operations

Not applicable.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 Financial Information – Annual Information

THE ISSUER

The following table is a summary of selected audited financial information of the Issuer for the fiscal years ended December 31, 2018 and December 31, 2017. The information should be read in conjunction with the Issuer’s audited financial statements and related notes thereto, which are attached.

	Year ended 12/31/2018 (audited) $	***Year ended 12/31/2017 (audited) $***
Statement of Operation		
Revenue	—	-
Operating Expenses	424,276	192,735
Other Items	200	336,455
Net Income / Losses	(424,476)	(529,190)
Financial Position		
Current Assets	44,350	5,155
Total Assets	48,350	9,155
Total Liabilities	605,723	432,872
Shareholder's Equity	(557,373)	(423,717)

A copy of the Financial Statements previously filed with applicable securities commissions are available on the Issuer's SEDAR profile at www.sedar.com.

ALH

The following table is a summary of selected financial information of ALH for the ten-month period ended April 30, 2019:

	Ten months ended 04/30/2019 (audited) $
Statement of Operation	
Revenue	—
Operating Expenses	849,614
Other Items	54,375
Net Income / Losses	(903,989)
Financial Position	
Current Assets	2,399,459
Total Assets	6,254,518
Total Liabilities	2,544,507
Shareholder's Equity (Deficit)	3,710,011

A copy of the ALH Financial Statements for the ten-month period ended April 30, 2019 are attached to Schedule "A" to this Listing Statement.

5.2 Quarterly Information

The Issuer

The following information is in respect of the Issuer for the eight quarters preceding the date of this Listing Statement:

	September 30, 2019 $	**June 30, 2019 $**	**March 30, 2019 $**	**December 31, 2019 $**
Total Assets	26,294	37,973	36,326	48,350
Working Capital (Deficiency)	(817,402)	(723,991)	(589,355)	(561,373)
Revenue	–	–	–	–
Loss and comprehensive loss	(93,411)	(130,636)	(31,982)	(181,267)
Loss per Share	(0.00)	(0.01)	(0.00)	(0.01)

	September 30, 2018 $	**June 30, 2018 $**	**March 30, 2018 $**	**December 31, 2017 $**
Total Assets	96,300	135,416	138,628	9,155
Working Capital (Deficiency)	(380,106)	(265,241)	(316,585)	(427,717)
Revenue	–	–	–	-
Loss and comprehensive loss	(114,865)	(102,348)	(25,996)	(37,144)
Loss per Share	(0.00)	(0.00)	(0.00)	(0.00)

Copies of the respective unaudited interim financial statements for the periods listed above for the Issuer are available on the Issuer's SEDAR profile at www.sedar.com.

ALH

Quarterly financial information is not available for ALH for the eight quarters preceding the date of this Listing Statement as ALH has not prepared quarterly financial statements for those periods.

5.3 Dividends

The Issuer has never declared, nor paid, any dividend since its incorporation and does not foresee paying any dividend in the near future since all available funds will be used to develop the business. Any future payment of dividends will depend on the financing requirements and financial condition of the Issuer and other factors which the board, in its sole discretion, may consider appropriate and in the best interests of the Issuer. Under the BCBCA, the Issuer is prohibited from declaring or paying dividends if there are reasonable grounds for believing that the Issuer is insolvent, or the payment of dividends would render the Issuer insolvent.

5.4 Foreign GAAP

Not applicable.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

A copy of the Issuer's Annual MD&A related to its financial statements previously filed with applicable securities commissions are available through the Internet under the Issuer's SEDAR profile at www.sedar.com.

7. MARKET FOR SECURITIES

The Issuer's Common Shares were listed on the TSX Venture Exchange ("TSXV") under the symbol "AWS". The Issuer was delisted from the TSXV on December 17, 2019. In connection with the closing of the Securities Exchange Transaction and subject to CSE approval of the Listing, the Issuer will be listed on the CSE. The Issuer has, subject to final regulatory approvals, been assigned the symbol "XTRX" under which the Common Shares will trade on the CSE. The Issuer is a reporting issuer in the Canadian provinces of British Columbia and Alberta.

8. CONSOLIDATED CAPITALIZATION

Pro Forma Consolidated Capitalization

The following table summarizes the Issuer's pro forma common shares, on a consolidated basis, after giving effect to the Securities Exchange Transaction.

Designation of Security	Number of Shares Authorized	Number of Shares Issued and Outstanding(1)
Common Shares	Unlimited	108,686,822

1) Does not include shares reserved for issuance pursuant to warrants.

For further details about the Issuer's issued securities, see the Section titled "Prior Sales" below.

Fully Diluted Share Capital

In addition to the information set out in the capitalization table above, the following table sets out the fully-diluted share capital of the Issuer after giving effect to the Securities Exchange Transaction:

	Authorized	Amount Outstanding as at the date of this Listing Statement
Common Shares	Unlimited	108,686,822
Warrants	7,411,655	7,411,655
Convertible Debenture	14,120,000	14,120,000
Total		130,218,477

9. OPTIONS TO PURCHASE SECURITIES

The Issuer has adopted a "rolling" 10% stock option plan (the "Stock Option Plan"). The purpose of the Stock Option Plan is to advance the interests of the Issuer by encouraging the directors, officers, employees, management company employees and consultants of the Issuer, and of its subsidiaries and affiliates, if any, to acquire common shares in the share capital of the Issuer, thereby increasing their proprietary interest in the Issuer, encouraging them to remain associated with the Issuer and furnishing them with additional incentive in their efforts on behalf of the Issuer in the conduct of its affairs. The Stock Option Plan provides that, subject to the requirements of the CSE, the aggregate number of securities reserved for issuance will be up to 10% of the number of the Issuer's common shares issued and outstanding from time to time. The Stock Option Plan is administered by the Issuer's Board, which has full and final authority with respect to the granting of all options thereunder.

Options may be granted under the Stock Option Plan to such service providers of the Issuer and its affiliates, if any, as the Board may from time to time designate. The exercise price of option grants will be determined by the Board, will not be less than the closing market price of the Common Shares on the CSE less allowable discounts at the time of grant. The Stock Option Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued Common Shares of the Issuer. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

As of the date hereof, the Issuer does not have any issued or outstanding options. The existing stock options of the Issuer of 1,300,000 were cancelled subsequent to March 31, 2019.

10. DESCRIPTION OF THE SECURITIES

10.1 Description of the Securities

The Issuer is authorized to issue an unlimited number of common shares without par value.

Each Common Share of the Issuer ranks equally with all other common shares with respect to distribution of assets upon dissolution, liquidation or winding-up of the Issuer and payment of dividends. The holders of the Common Shares will be entitled to one vote for each share on all matters to be voted on by such holders and are entitled to receive pro rata such dividends as may be declared by the directors of the Issuer. The holders of Common Shares have no pre-emptive or conversion rights. The rights attaching to the Common Shares can only be modified by the affirmative vote of at least two-thirds of the votes cast at a meeting of shareholders called for that purpose.

As of the date hereof, 108,686,822 Common Shares are outstanding.

10.2 Debt Securities

The Issuer has outstanding convertible debentures of $3,177,000 which are convertible into Units at the conversion price of $0.45 per Unit. Each Unit consists of one share and one warrant. Each Warrant is exercisable at $0.75 per share for 2 years from Closing. The Debentures have an interest rate of 12% per annum, payable on the maturity date. Conversion is at the option of the Debenture holder.

10.3 Other Securities

Not applicable.

10.4 Modification of Terms

Not applicable.

10.5 Other Attributes

Not applicable.

10.6 Prior Sales

As at April 30, 2019 the total and issued outstanding share capital of ALH consisted of 81,138,333 ALH shares.

The following securities of ALH were issued within the last 12 months from the date of this Listing Statement:

(a) On February 7, 2019, ALH issued 26,000,000 ALH Shares at price of $0.005 per ALH Share for total proceeds of $130,000.

(b) On February 28, 2019, ALH issued 21,750,000 ALH Shares at price of $0.02 per ALH Share for total proceeds of $435,000.

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

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

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

10.7 Stock Exchange Price

The Common Shares of the Issuer were listed on the TSXV under the symbol “AWS”. The following table sets out the high and low closing price and volume of trading of Common Shares of the Issuer on the TSXV during the last 24 months:

Period Type	Period End Date	High	Low	Volume
Month (Partial)	December 30, 2019	N/A	N/A	0
Month	November 30, 2019	N/A	N/A	0
Month	October 31, 2019	N/A	N/A	0
Month	September 30, 2019	N/A	N/A	0
Month	August 31, 2019	N/A	N/A	0
Month	July 31, 2019	N/A	N/A	0
Quarter	June 30, 2019	N/A	N/A	0
Quarter	March 31, 2019	N/A	N/A	0
Quarter	December 31, 2018	N/A	N/A	0
Quarter	September 30, 2018	N/A	N/A	0
Quarter	June 30, 2018	N/A	N/A	0
Quarter	March 31, 2018	.075	.05	1,139,000
Quarter	December 31, 2017	.035	.055	1,051,000

Period Type	Period End Date	High	Low	Volume
Quarter	September 30, 2017	.03	.06	1,101,000
Quarter	June 30, 2017	.04	.04	1,116,100
Quarter	March 31, 2017	.055	.05	1,117,100

11. ESCROWED SECURITIES

There are 26,000,000 escrowed securities which will be released from escrow, 10% on the Listing Date and 15% every 6 months thereafter, such that all shares will be released from escrow within 36 months of the Listing Date. The escrow shares are held under the terms of an escrow agreement dated as of August 1, 2019. The table below includes the details of the escrowed securities that will be held by the Principals of the Issuer upon completion of the Securities Exchange Transaction.

Name	Number of Escrow Shares
Andrew Hale	2,340,000
Kenneth Johnson	7,800,000
Brian Brennan	7,800,000
Leonard Mullock	8,060,000
Total:	**26,000,000**

12. PRINCIPAL SHAREHOLDERS

As at the date of this Listing Statement, 108,686,822 common shares are issued and outstanding. The following table lists the persons who own, directly or indirectly, 10% or more of the issued and outstanding Common Shares:

Name and Type of Ownership	Type of Ownership	Number and Class of Shares Owned	Percentage of the Issuer's Outstanding Common Shares
Robert Foster	Direct	16,883,333	15.53%
Brian Brennan	Direct	13,970,000	12.85%
Kenneth Johnson(1)	Direct	13,800,000	12.70%
Leonard Mullock	Direct	14,376,667	13.23%

(1) Kenneth Johnson holds a further 816,667 common shares indirectly through Carerra Projects Ltd., representing a total percentage of 13.45%

13. DIRECTORS AND OFFICERS OF THE ISSUER

13.1 Directors and Executive Officers of the Issuer

The board of directors of the Issuer is composed of four members, as set out below.

The name, municipality of residence, position or office held with the Issuer and principal occupation of each director and executive officer of the Issuer, as well as the number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, excluding common shares issued on the exercise of convertible securities, are as follows:

Name & Municipality of Residence and Position[(1)]	**Present Occupation and Positions Held During the Last Five Years**	**Period served as Director / Officer**	**Number of Shares Beneficially Held**
Blaine Bailey, B.Comm, CPA, CGA *Director[(2)]* British Columbia, Canada	Certified Professional Accountant; Chief Financial Officer of Latin Metals Inc. since June 2015, Cardero Resource Corp. since November 2011, the Issuer since July 2005, VR Resources since March 21, 2017, Goldplay Exploration Ltd since March 3, 2018, Panorama Capital Corp, since December 18, 2018 and Principal of Promaid Services Ltd. since September 2002; Chief Financial Officer of Velocity Minerals from July 21, 2017 to December 5, 2019	February 3, 2014, Director July 2005, Officer	869,316
Stephen Brohman, CPA, CA *Director, Secretary and CFO[(2)]* 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	September 2, 2014	1,254,000
Andrew Hale *Director and CEO* British Columbia, Canada	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.	December 19, 2019	4,140,000
Georges Routhier *Director[(2)]* 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.	December 19, 2019	0

Note:

(1) The information as to province or state and country of residence and principal occupation has been furnished by the respective directors individually.

(2) Member of Audit Committee.

13.2 Period of Service of Directors

The term of each director expires on the date of the next annual general meeting, unless his or her office is earlier vacated or he or she is removed in accordance with the Issuer's articles and the BCBCA.

13.3 Directors and Executive Officers Common Share Ownership

The directors and executive officers of the Issuer as a group, directly or indirectly, will beneficially own or exercise control or direction over 6,263,316 Common Shares, representing approximately 5.8% of the issued and outstanding common shares of the Issuer.

13.4 Committees

The Issuer's audit committee consists of Blaine Bailey, Georges Routhier and Stephen Brohman, each of whom is a director and financially literate in accordance with National Instrument 52-110 Audit Committees ("NI 52-110"). Blaine Bailey and Georges Routhier are independent, as defined under NI 52-110, and Stephen Brohman is not independent as he is an officer of the Issuer. The Issuer is relying on the exemption found in Section 6.1(6) of NI 52-110 in respect of having a majority of non-officer directors on the audit committee of the Issuer.

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 Issuer 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 Issuer's financial statements, or experience actively supervising individuals engaged in such activities; and

(c) an understanding of internal controls and procedures for financial reporting.

The board of directors of the Issuer may from time to time establish additional committees.

13.5 Principal Occupation of Directors and Executive Officers

Information on directors and executive officers' principal occupation is set out in section 13.1 – Directors and Executive Officers of the Issuer.

13.6 Corporate Cease Trade Orders or Bankruptcies

No director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other issuer that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under British Columbia securities law, for a period of more than 30 consecutive days;

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(c) 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

(d) 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, save and except:

Blaine Bailey who was a Director of the Issuer when the British Columbia Securities Commission issued a Cease Trade Order (“CTO”) May 8, 2014 for late filing of Financial Statements. The CTO was revoked on August 6, 2014 on completion of the filing. In addition Blaine Bailey was an Officer of the Issuer when the British Columbia Securities Commission issued a CTO on December 20, 2007 for failure to file a NI 43-101 report within the required time period. The CTO was revoked on June 4, 2009 on completion of the filing.

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.

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.

13.7 Penalties or Sanctions

No director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or has been subject to:

(a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

13.8 Settlement Agreements

Not applicable.

13.9 Conflicts of Interest

Directors and officers of the Issuer may also serve as directors and/or officers of other companies working in the cannabis space and may be presented from time to time with situations or opportunities which give rise to apparent conflicts of interest which cannot be resolved by arm’s length negotiations but only through exercise by the officers and directors of such judgment as is consistent with their fiduciary duties to the Issuer which arise under British Columbia corporate law, especially insofar as taking advantage, directly or indirectly, of information or opportunities acquired in their capacities as directors or officers of the Issuer. Blaine Bailey was a director of ALH prior to Closing and the Issuer and therefore not arms length.

All conflicts of interest will be resolved in accordance with the BCBCA. Any transactions with officers and directors will be on terms consistent with industry standards and sound business practice in accordance with the fiduciary duties of those persons to the Issuer, and, depending upon the magnitude of the transactions and the absence of any disinterested board members may be submitted to the shareholders for their approval. To the best of the Issuer's knowledge, there are no known existing or potential conflicts of interest among the Issuer or any subsidiary of the Issuer, directors, officers or other members of management of the Issuer or any subsidiary of the Issuer, as a result of their outside business interests except that certain directors and officers may serve as directors and officers of other companies, and therefor it is possible that a conflict may arise between their duties to the Issuer and their duties as a director or officer of such other companies. See "Risk Factors".

13.10 Management Details

The following sets out details of the directors and management of the Issuer:

Andrew Hale, Chief Executive Officer and Director

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 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 Issuer.

Stephen Brohman, Chief Financial Officer, Secretary, and Director

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 Issuer.

Blaine Bailey, 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, the Issuer since July 2005, VR Resources since March 21, 2017, Goldplay Exploration Ltd since March 3, 2018, Panorama Capital Corp. since December 18, 2018 and Principal of Promaid Services Ltd. since September 2002. In addition, Mr. Bailey was Chief Financial Officer of Velocity Minerals from July 21, 2017 to December 5, 2019.

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

Georges 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 Issuer.

14. CAPITALIZATION

14.1 Class of Securities

Issued Capital of the Issuer

	Number of Securities (non-diluted)	**Number of Securities (fully-diluted)**	**% of Issued (non-diluted)**	**% of Issued (fully-diluted)**
Public Float				
Total outstanding (A)	108,686,822	130,218,477	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	75,563,538	82,325,543	69.52%	63.22%
Total Public Float (A-B)	33,123,284	47,892,234	30.48%	36.78%
Freely-Tradeable Float				

	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully-diluted)
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	47,963,501	67,975,956	44.13%	52.20%
Total Tradeable Float (A-C)	60,723,321	62,242,521		47.80%

Public Securityholders (Registered) of the Issuer

CLASS OF SECURITY

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	157	3,425
100 – 499 securities	19	3,952
500 – 999 securities	6	3,970
1,000 – 1,999 securities	5	5,500
2,000 – 2,999 securities	2	4,310
3,000 – 3,999 securities	1	3,000
4,000 – 4,999 securities	1	4,000
5,000 or more securities	49	28,305,960
	240	28,334,117

Public Securityholders (Beneficial) of the Issuer

CLASS OF SECURITY

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	73	1,682
100 – 499 securities	62	14,904
500 – 999 securities	18	12,721
1,000 – 1,999 securities	25	33,477
2,000 – 2,999 securities	13	29,794
3,000 – 3,999 securities	4	13,464
4,000 – 4,999 securities	4	16,805
5,000 or more securities	46	4,428,190
	245	4,551,037

Non-Public Securityholders (Registered) of the Issuer

CLASS OF SECURITY **Size of Holding**	**Number of holders**	**Total number of securities**
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	10	75,563,538
	10	75,563,538

14.2 Convertible Securities

The following are details for any securities convertible or exchangeable into common shares of the Issuer.

The following table sets out information regarding all securities convertible or exchangeable into any class of listed securities.

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Warrants exercisable at $0.75 per share until February 20, 2020	496,100	496,100
Warrants exercisable at $1.50 per share until April 26, 2020	1,023,100	1,023,100
Warrants exercisable at $0.60 per share three years from closing	5,892,455	5,892,455
Convertible Debenture exercisable at $0.45 two years from closing and warrants exercisable at $0.75 two years from closing*	14,120,000	14,120,000

* Interest at 12% may also be converted at the option of the holder

14.3 Other Securities

There are currently no listed securities reserved for issuance that are not included in section 14.2.

15. EXECUTIVE COMPENSATION

15.1 General

Details related to the executive compensation paid by the Issuer, prepared in accordance with Form 51-102F6 of National Instrument 51-102 – Continuous Disclosure Obligations, can be found on SEDAR (www.sedar.com) in the Issuer's Statement of Executive Compensation dated August 2, 2018.

The following information of the Issuer is provided in accordance with Form 51-102F6V – Statement of Executive Compensation. The information describes the executive compensation of the Issuer after completion of the Securities Exchange Transaction.

15.2 Executive Compensation

The compensation paid to the Named Executive Officers of ALH is as set out below:

Name and Position	Year	Salary, consulting fee, retainer or commission ($)	Bonus ($)	Committee or Meeting Fees ($)	Value of Perquisites ($)	Value of all other Compensation ($)	Total Compensation ($)
Andrew Hale *CEO and Director*	2019	182,224	0	0	0	0	182,224
	2018	0	0	0	0	0	0
	2017	0	0	0	0	0	0
Stephen Brohman *CFO*	2019	35,906	0	0	0	0	35,906
	2018	0	0	0	0	0	0
	2017	0	0	0	0	0	0

There were no other Named Executive Officers in Fiscal 2018, as no other employees earned in excess of $150,000 during Fiscal 2018.

15.3 Compensation Discussion and Analysis

The objectives, criteria and analysis of the compensation of the executive officers of the Issuer following the completion of the Securities Exchange Transaction will be determined by the Issuer Board and are expected to be substantially similar to how the Issuer currently compensates its executive officers.

SIGNIFICANT ELEMENTS

The significant elements of compensation awarded to the Named Executive Officers are a cash salary. The Issuer does not presently have a long-term incentive plan for its Named Executive Officers. There is no policy or target regarding allocation between cash and non-cash elements of the Issuer's compensation program. The Board is solely responsible for determining compensation to be paid to the Issuer's Named Executive Officers. In addition, the Board reviews annually the total compensation package of each of the Issuer's executives on an individual basis.

Cash Salary

In setting compensation rates for Named Executive Officers, the Issuer will compare the amounts paid to them with the amounts paid to executives in comparable positions at other comparable corporations. The Issuer's compensation payable to the Named Executive Officers is based upon, among other things, the responsibility, skills and experience required to carry out the functions of each position held by each Named Executive Officer and varies with the amount of time spent by each Named Executive Officer in carrying out his or her functions on behalf of the Issuer.

Option-Based Awards

The Issuer's stock option plan is intended to emphasize management's commitment to the growth of the Issuer. The grant of stock options, as a key component of the executive compensation package, enables the Issuer to attract and retain qualified executives. Stock option grants are based on the total of stock options available under the Stock Option Plan. In granting stock options, the Board reviews the total of stock options available under the Stock Option Plan and recommends grants to newly retained executive officers at the time of their appointment and considers recommending further grants to executive officers from time to time thereafter. The amount and terms of outstanding options held by an executive are taken into account when determining whether and how new option grants should be made to the executive. The exercise periods are to be set at the date of grant. The stock option grants may contain vesting provisions in accordance to the Issuer's Stock Option Plan. Currently there are no stock options outstanding.

Incentive Plan Awards

The following table sets forth all outstanding share based and option based awards to the Named Executive Officers.

Name (a)	**Number of Securities underlying unexercised options (#)**	**Option-based awards – Value vested during the year[(1)] ($) (b)**	**Share-based awards – Value vested during the year ($) (c)**	**Non-equity incentive plan compensation – Value earned during the year ($) (d)**
Andrew Hale *CEO and Director*	N/A	N/A	N/A	N/A
Stephen Brohman *CFO*	N/A	N/A	N/A	N/A

Termination of Employment, Change in Responsibilities and Employment Contracts

There are no employment contracts between the Issuer and the Named Executive Officers.

There are no compensatory plans, contracts or arrangements between the Issuer and any Named Executive Officer, where the Named Executive Officer is entitled to receive more than $50,000 from the Issuer, including periodic payments or instalments, in the event of:

(a) the resignation, retirement or any other termination of employment of the Named Executive Officer's employment with the Issuer;

(b) a change of control of the Issuer; or

(c) a change of the Named Executive Officer's responsibilities following a change in control.

PENSION ARRANGEMENTS

The Issuer does not have any pension arrangements in place for the Named Executive Officers.

COMPENSATION OF DIRECTORS

For a description of the compensation paid to the Issuer's Named Executive Officer(s) who also act as directors, see "Summary Compensation Table". No director of the Issuer who is not a Named Executive Officer has received, during the most recently completed financial year, compensation pursuant to:

(d) any standard arrangement for the compensation of directors for their services in their capacity as directors, including any additional amounts payable for committee participation or special assignments;

(e) any other arrangement, in addition to, or in lieu of, any standard arrangement, for the compensation of directors in their capacity as directors except for the granting of stock options; or

(f) any arrangement for the compensation of directors for services as consultants or experts.

Narrative Discussion

The Issuer has no arrangements, standard or otherwise, pursuant to which directors are compensated by the Issuer 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.

The Issuer has a Stock Option Plan for the granting of incentive stock options to the officers, employees and directors. The purpose of granting such options to the Issuer's directors is to assist the Issuer in compensating, attracting, retaining and motivating the directors and to closely align the personal interests of the directors to that of the Issuer's shareholders.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of the Issuer or person who acted in such capacity in the last financial year of the Issuer, or proposed director or officer of the Issuer, or any Associate of any such director or officer is, or has been, at any time since the beginning of the most recently completed financial year of the Issuer, indebted to the Issuer nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer.

17. RISK FACTORS

While this Listing Statement has described the risks and uncertainties that management of the Issuer believe to be material to the Issuer's business, it is possible that other risks and uncertainties affecting the Issuer's business will arise or become material in the future.

If the Issuer is unable to address these and other potential risks and uncertainties, its business, financial condition or results of operations could be materially and adversely affected. In this event, the value of the Common Shares could decline and an investor could lose all or part of their investment.

The following is a description of the principal risk factors that will affect the Issuer:

Competition

The Issuer is engaged in an industry that is highly competitive. Because its industry is evolving and characterized by technological change, it is difficult for the Issuer to predict whether, when and by whom new competing technologies may be introduced or when new competitors may enter the market. The

Issuer faces increased competition from companies with strong positions in certain markets the Issuer intends to serve and in new markets and regions it may enter. Many of the Issuer's competitors have significantly greater financial and other resources than the Issuer currently possesses and may spend significant amounts of resources to gain market share. The Issuer 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 the 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 the Issuer can, or devote greater resources to the development, promotion and sale of products than the Issuer 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 the Issuer's prospective customers. If these competitors were to acquire significantly increased market share, it could have a material adverse effect on the Issuer's business, financial condition or results of operations. The Issuer's competitors may also establish or strengthen co-operative relationships with systems integrators, third-party consulting firms or other parties with whom the Issuer has relationships, thereby limiting its ability to promote its products.

Regulatory Risks

The activities of the Issuer will be subject to regulation by governmental authorities. Achievement of the Issuer'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. The Issuer 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 the Issuer.

Lack of Operating History

The Issuer has only recently started to carry on its business. The Issuer 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 the Issuer to meet any of these conditions could have a materially adverse effect on the Issuer and may force it to reduce, curtail, or discontinue operations. There is no assurance that the Issuer 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. The Issuer may not successfully address all of the risks and uncertainties or successfully implement its existing and new products and services. If the Issuer 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 the Issuer accomplishes these objectives, the Issuer may not generate the anticipated positive cash flows or profits. No assurance can be given that the Issuer 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 the Issuer. The Issuer could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Issuer to lose access to distribution, content and other resources. The relationships between the Issuer and its strategic partners may deteriorate and cause an adverse effect on the business. The Issuer could lose customers if competitors or user of competing technology consolidate with the Issuer's current or potential customers. Furthermore, the Issuer's current competitors could become larger players in the market or new competitors could form from consolidations. Any of the foregoing events could put the Issuer at a competitive disadvantage, which could cause the Issuer to lose customers, revenue, and market share. Consolidation in the industry could also force the Issuer to divert greater resources to meet new or additional competitive threats, which could harm the Issuer's operating results.

Market for Securities and Volatility of Share Price

There can be no assurance that an active trading market in the Issuer's securities will be established or sustained. The market price for the Issuer's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results and acquisition or disposition of properties, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities of the Issuer. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Payment of Dividends Unlikely

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

Management of Growth

Any expansion of the Issuer's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that the Issuer 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 the Issuer will be able to manage growth successfully. Any ability of the Issuer to manage growth successfully could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Reliance on Key Consultants

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

Shareholders' Interest may be Diluted in the Future

The Issuer will require additional funds for its planned activities. If the Issuer raises additional funding by issuing equity securities, which is highly likely, such financing could substantially dilute the interests of the Issuer's shareholders. Sales of substantial amounts of shares, or the availability of securities for sale, could adversely affect the prevailing market prices for the Issuer's shares. A decline in the market prices of the Issuer's shares could impair the ability of the Issuer to raise additional capital through the sale of new common shares should the Issuer desire to do so.

Conflicts of Interest

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

Litigation

The Issuer 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 the Issuer which may affect the operations and business of the Issuer. Furthermore, because the content of most of the Issuer's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions, the Issuer may face additional difficulties in defending its intellectual property rights.

The Issuer may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Issuer becomes involved be determined against the Issuer such a decision could adversely affect the Issuer's ability to continue operating and the market price for Issuer Shares and could use significant resources. Even if the Issuer 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 the Issuer's products are recalled due to an alleged product defect or for any other reason, the Issuer could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Issuer 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 the Issuer 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 the Issuer is subject to recall, the image of the Issuer could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Issuer's products and could have a material adverse effect on the results of operations and financial condition of the Issuer. Additionally, product recalls may lead to increased scrutiny of the Issuer'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, the Issuer 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 the Issuer'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 the Issuer's or its customer's products alone or in combination with other medications or substances could occur. The Issuer may be subject to various product liability claims, including, among others, that the Issuer'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 the Issuer could result in increased costs, could adversely affect the Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Issuer. There can be no assurances that the Issuer 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 the Issuer's potential products.

Reliance on Third Party Relationships

The Issuer 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 the Issuer’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 the Issuer’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 the Issuer.

Effectiveness and Efficiency of Advertising and Promotional Expenditures

The Issuer’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 the Issuer’s technologies or services. In addition, no assurance can be given that the Issuer will be able to manage its advertising and promotional expenditures on a cost-effective basis.

Significant Obligations of a Public Company

The Issuer incurs significant legal, accounting, insurance and other expenses as a result of being a public company, which may negatively impact its performance and could cause its results of operations and financial condition to suffer. Compliance with applicable securities laws in Canada and the rules of the CSE constitutes a significant expense, including legal and accounting costs, and makes some activities more time-consuming and costly. Reporting obligations as a public company and the Issuer’s anticipated growth may place a strain on the Issuer’s financial and management systems, processes and controls, as well as on personnel.

Intellectual Property

The Issuer's success depends in part on the ability to protect ideas and technology. Even if the Issuer moves to protect their technology with trademarks, patents, copyrights or by other means, the Issuer is not assured that competitors will not develop similar technology, business methods or that they will be able to exercise their 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 the ability to successfully grow the business.

Fraudulent or Illegal Activity

The Issuer 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 the Issuer 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 the Issuer to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Issuer to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Issuer 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 the Issuer, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the 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 the Issuer's operations, any of which could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Product Viability

If the products the Issuer sells are not perceived to have the effects intended by the end user, its business may suffer. Many of the Issuer'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, the Issuer'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 the Issuer's products are critical to the success of its business and operations. As such, it is imperative that the Issuer'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 the Issuer 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 the Issuer's business and operating results.

Positive Test for THC or Banned Substances

The Issuer's products are made from Cannabis, which contains THC. As a result, certain of the Issuer'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 the Issuer'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 the Issuer based on such positive test results could adversely affect the Issuer's reputation and could have a material adverse effect on its business and operational results.

18. PROMOTERS

None.

19. LEGAL PROCEEDINGS

There are no legal proceedings to which the Issuer, any subsidiary of the Issuer or any property of the Issuer or any subsidiary of the Issuer, has been, a party or of which any of its property is, or has been, the subject matter. Additionally, to the reasonable knowledge of the management of the Issuer, there are no such proceedings contemplated.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Issuer's management, no director or officer, insider, nor any of their respective associates, affiliates or member of their group have any interest in any material transaction of the Issuer since its incorporation.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

21.1 Auditors

The auditors of the Issuer are Davidson & Company LLP, Chartered Professional Accountants (the "Auditors"), located at 1200-609 Granville Street, Vancouver, British Columbia V7Y 1G6.

The auditors of ALH are Davidson & Company LLP (the "ALH Auditors"), located at 1200-609 Granville Street, Vancouver, British Columbia V7Y 1G6.

21.2 Registrar and Transfer Agent

The registrar and transfer agent of the Issuer is Computershare, located at 510 Burrard Street, 3rd Floor, Vancouver, British Columbia V6C 3B9.

22. MATERIAL CONTRACTS

In the two years prior to the date of this Listing Statement, other than contracts entered into in the ordinary course of business, the Company and ALH have entered into the following material contracts:

(a) Securities Exchange Agreement (see Item 3.1 – "General Development of the Business"); and

(b) Escrow Agreement (see Item 11 – "Escrow").

23. INTEREST OF EXPERTS

Davidson & Company LLP, Chartered Professional Accountants (the "Issuer Auditors"), audited the Financial Statements and is independent within the meaning of the CPA Code of Professional Conduct of British Columbia. Based on information provided by Davidson & Company LLP, Chartered Professional Accountants, Davidson & Company LLP, Chartered Professional Accountants has not received nor will receive any direct or indirect interests in the property of the Issuer. Davidson & Company LLP, Chartered Professional Accountants nor any of the directors, officers, employees and partners thereof, beneficially own, directly or indirectly, any securities of the Issuer or its associates and affiliates.

The Davidson & Company LLP, Chartered Accountants (the "ALH Auditors") audited the ALH Financial Statements and are independent within the meaning of the CPA Code of Professional Conduct of British Columbia. Based on information provided by the Auditors, the Auditors have not received nor will receive any direct or indirect interests in the property of ALH. The ALH Auditors nor any of the directors, officers, employees and partners thereof, beneficially own, directly or indirectly, any securities of the Issuer or its associates and affiliates.

24. OTHER MATERIAL FACTS

The Issuer is not aware of any other material facts relating to ALH, or the Issuer's Securities or to the Securities Exchange Transaction that are not disclosed under the preceding items and are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to ALH and the Issuer.

25. FINANCIAL STATEMENTS

A copy of the financial statements of ALH for the period from incorporation on June 18, 2018 to April 30, 2019 are attached as Schedule "A" to this Listing Statement.

A copy of the financial statements of ALH for the period ended July 31, 2019 are attached as Schedule "B" to this Listing Statement.

A copy of the financial statements of the Issuer to the period ended September 30, 2019 are attached as Schedule "C" to this Listing Statement.

A copy of the Pro-Forma financial statements of the Issuer to the period ended September 30, 2019 are attached as Schedule "D" to this Listing Statement.

Schedule "A"

Adastra Labs Holdings (2019) Ltd. (formerly Adastra Labs Holdings Ltd.)

Consolidated Financial Statements

For the period from incorporation June 18, 2018 to April 30, 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Adastra Labs Holdings (2019) Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Adastra Labs Holdings (2019) Ltd. (the "Company"), which comprise the consolidated statement of financial position as at April 30, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the period from incorporation on June 18, 2018 to April 30, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has been incurring losses and generating negative cash flows since inception. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes the Listing Statement of Adastra Labs Holdings Ltd. related to the reverse take-over transaction acquisition by Adastra Labs Holdings Ltd. of all of the issued and outstanding securities of Adastra Labs Holdings (2019) Ltd.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Bahar.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

December 20, 2019

Adastra Labs Holdings (2019) Ltd. (formerly Adastra Labs Holdings Ltd.)
Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)
As at

	Note		April 30, 2019
ASSETS			
Current assets			
Cash		$	2,362,494
Receivables			28,283
Prepaid expenses			8,682
Total current assets			2,399,459
Non-current assets			
Equipment deposits	5		20,823
Property plant and equipment	5		3,834,236
Total non-current assets			3,855,059
Total asets		$	6,254,518
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	$	137,044
Mortgage payable	10		2,407,463
Total liabilities		$	2,544,507
SHAREHOLDERS' EQUITY			
Share capital	6		4,614,000
Deficit			(903,989)
Total shareholders' equity			3,710,011
Total liabilities and shareholders' equity		$	6,254,518
Nature and Continuance of Operations	1		
Subsequent Event	13		

Approved and Authorized by the Board on December 20, 2019:

"Andrew Hale" Director

"Blaine Bailey" Director

The accompanying notes are an integral part of these consolidated financial statements.

Adastra Labs Holdings (2019) Ltd. (formerly Adastra Labs Holdings Ltd.)
Consolidated Statement of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note		For the period from incorporation on June 18, 2018 to April 30, 2019
Expenses			
Amortization of borrowing costs	10	$	12,218
Bank charges			590
Depreciation	5		51,974
Insurance			3,867
Management fees	7		39,638
Office			113,834
Professional fees and consulting	7		253,860
Rent			29,029
Research			4,336
Travel			40,001
Wages and salaries	7		300,267
			(849,614)
Other (expenses) and income			
Interest expense	10		(63,165)
Interest income			8,790
Loss and comprehensive loss for the period		$	(903,989)
Loss and comprehensive loss per share - basic and diluted		$	(0.07)
Weighted average number of common shares outstanding - basic and diluted			13,265,014

The accompanying notes are an integral part of these consolidated financial statements.

Adastra Labs Holdings (2019) Ltd. (formerly Adastra Labs Holdings Ltd.)
Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

	Note		For the period from incorporation June 18, 2018 to April 30, 2019
Cash flows from (used in) operating activities			
Loss for the period		$	(903,989)
Items not involving cash:			
Depreciation			51,974
Amortization of borrowing costs			12,218
Interest expense			63,165
Interest income			(8,790)
Changes in non-cash working capital:			
Receivables			(28,283)
Prepaid expenses and advances			(8,682)
Accounts payable and accrued liabilities			137,044
			(685,343)
Cash flows used in investing activities			
Acquisition of property plant and equipment			(3,886,210)
Equipment deposits			(20,823)
Interest income			8,790
			(3,898,243)
Cash flows from financing activities			
Proceeds - mortgage			2,446,000
Borrowing costs - mortgage			(50,755)
Interest paid - mortgage			(63,165)
Issuance of common shares			4,614,000
			6,946,080
Change in cash			2,362,494
Cash, beginning of period			-
Cash, end of period		$	2,362,494

The accompanying notes are an integral part of these consolidated financial statements.

Adastra Labs Holdings (2019) Ltd. (formerly Adastra Labs Holdings Ltd.)
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
For the period from incorporation June 18, 2018 to April 30, 2019

	Common Shares	Share Capital	Deficit	Total
Issuance of incorporation share	1	$ 1	$ -	$ 1
Cancellation of incorporation share	(1)	(1)	-	(1)
Shares issued for cash – private placements	81,138,333	4,614,000	-	4,614,000
Loss for the period	-	-	(903,989)	(903,989)
Balance at April 30, 2019	81,138,333	$ 4,614,000	$ (903,989)	$ 3,710,011

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Adastra Labs Holdings Ltd. (formerly PerAspera Holdings Ltd.) (the "Company" or "Adastra") was incorporated under the laws of the province of British Columbia on June 18, 2018. The Company is an extraction and processing solutions company. The Company's mission is to develop and deploy large-scale cannabis and hemp extraction technologies and provide turn-key processing solutions to help licensed standard and micro-cultivators maximize the value of every harvest. The Company's registered and records office is 5451 275th Street, Langley City, British Columbia, V4W 3X8.

These consolidated financial statements (the "financial statements") have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might be necessary should the Company be unable to continue in existence.

The Company has been incurring losses and generating negative cash flows since inception. Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will generate sufficient revenue and positive cash flows from operations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

These financial statements have been prepared on the historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently by the Company and its subsidiaries.

All amounts in these financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Principles of consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

Adastra Labs Holdings Ltd. (Formerly PerAspera Holdings Ltd)	Parent company
Adastra Labs Inc.	100% owned Subsidiary
Chemia Analytics Inc.	100% owned Subsidiary
1178562 B.C. Ltd.	100% owned Subsidiary*
PEB Phyto Extractions Brands Inc.	100% owned Subsidiary

* Shares of 1178562 BC Ltd. were acquired subsequent to period end (Note 4).

A subsidiary is an entity controlled by the Company and is included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of a subsidiary are changed where necessary to align them with the policies adopted by the Company.

Accounting standards issued but not yet effective

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the period ended April 30, 2019, and have not been applied in preparing these financial statements:

- IFRS 16: A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model, effective for annual periods beginning on or after January 1, 2019. Management expects no impact on adoption.

- IFRIC 23: Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Management expects no impact on adoption.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at each reporting date and the reported amounts of income and expenses during each reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The information about significant areas of estimation uncertainty considered by management in preparing these financial statements is as follows:

Property, Plant and Equipment

The estimated useful lives of property plant and equipment are reviewed by management and adjusted if necessary. To estimate property, plant and equipment's useful life, management must use its past experience with the same or similar assets, review engineering estimates and industry practices for similar pieces of property, plant and equipment and/or apply statistical methods to assist in its determination of useful life. Additionally, management makes estimates with respect to the fair value of equipment acquired for non-monetary consideration. The Company assesses fair value by comparing market prices for similar types of property, plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

The information about significant areas of judgment considered by management in preparing these financial statements is as follows:

Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

Going concern

The assessment of the Company's ability to continue as a going concern as discussed in Note 1 involves judgment regarding future funding available for its operations and working capital requirements.

Property, Plant and Equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. No depreciation is recorded in the year of disposal.

Depreciation is recognized over the following terms, intended to depreciate the cost of property, plant and equipment, less its residual values if any, over its estimated useful lives:

Furniture and equipment	20% declining balance
Leasehold improvements	10 years straight line
Buildings	20 years straight line

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the period they are incurred. Any gain or loss on the disposal or retirement of equipment is recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from shareholders' equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Share-based payment transactions

The Company has a stock option plan that provides for the granting of options to Officers, Directors, related company employees and consultants to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest.

Options granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Over the vesting period, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised the consideration received is recorded as share capital and the related share-based payments originally recorded as contributed surplus are transferred to share capital. When an option is cancelled or expires, the initial recorded value is reversed from contributed surplus and credited to deficit.

Loss per share

Basic loss per share is computed by dividing the net loss attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period.

Diluted loss per share is computed similar to basic loss per share except that (i) net loss attributable to common shareholders are adjusted for the dilutive effect of warrants and stock options. Under this method, the Company assumes that outstanding dilutive stock options and warrants were exercised and that the proceeds from such exercises (after adjustment of any unvested portion of stock options) were used to acquire common shares at the average market price during the reporting periods. For the period presented, diluted loss per share equals basic loss per share as there were no dilutive stock options or warrants outstanding.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Effective June 18, 2018 (date of incorporation), the Company adopted IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 provides three different measurement categories for non-derivative financial assets – subsequently measured at amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income – while all non-derivative financial liabilities are classified as subsequently measured at amortized cost. The category into which a financial asset is placed and the resultant accounting treatment is largely dependent on the nature of the business of the entity holding the financial asset. All financial instruments are initially recognized at fair value.

Financial assets

Measurement

The Company initially recognizes financial assets on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company classifies all of its financial assets, except cash, as subsequently measured at amortized cost. Cash is classified as FVTPL. All financial assets that do not meet the criteria to be recognized as subsequently measured at amortized cost or subsequently measured at fair value through other comprehensive income are classified as FVTPL.

Impairment of financial assets at amortized cost

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

The Company measures all of its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The carrying amount of the Company's long-lived assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash generating units "CGU"). The recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the CGU and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the carrying amount of an asset group exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Income taxes

Income tax comprises current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in shareholders' equity.

Current income tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, adjusted for any amendments to tax payable in respect of previous years.

Deferred income tax is provided for, based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

4. ACQUISITIONS

As at and for the period ended April 30, 2019 the company determined that the consolidation of 1178562 B.C. Ltd. ("1178562") was appropriate as the Company has control through common directors and management. On June 12, 2019 the Company formally purchased all shares of 1178562 to become a wholly-owned subsidiary (Note 13).

(Expressed in Canadian Dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Furniture and equipment	Leasehold improvements	Total
	$	$	$	$	$
Cost					
June 18, 2018 (incorporation)	-	-	-	-	-
Additions	1,587,990	1,986,753	11,824	299,643	3,886,210
April 30, 2019	1,587,990	1,986,753	11,824	299,643	3,886,210
Accumulated depreciation					
June 18, 2018 (incorporation)	-	-	-	-	-
Depreciation	-	49,563	2,411	-	51,974
April 30, 2019	-	49,563	2,411	-	51,974
Net book value					
June 18, 2018 (incorporation)	-	-	-	-	-
April 30, 2019	1,587,990	1,937,190	9,413	299,643	3,834,236

Certain of the Company's property, plant and equipment was not yet in use as at April 30, 2019. Depreciation is taken when items are in the location and condition necessary for it to be capable of operating in a manner intended by management.

As at April 30, 2019, the Company had paid cash deposits for additional cannabis extraction equipment in the amount of $20,823.

6. SHAREHOLDERS' EQUITY

Authorized

Unlimited number of common shares with no par value.

Issued and Outstanding

As at April 30, 2019, the total issued and outstanding share capital consists of 81,138,333 common shares.

Share issuances during the period ended April 30, 2019:

- On June 20, 2018, the Company issued 1 common share for $1 on incorporation, the Company cancelled the incorporation share on February 7, 2019;
- On February 7, 2019, the Company closed a private placement for the issuance of 26,000,000 common shares at a price of $0.005 per share for gross proceeds of $130,000;
- On February 28, 2019, the Company closed a private placement for the issuance of 21,750,000 common shares at a price of $0.02 per share for gross proceeds of $435,000;
- On March 7, 2019, the Company closed a private placement for the issuance of 21,053,333 common shares at a price of $0.075 per share for gross proceeds of $1,579,000;
- On March 31, 2019, the Company closed a private placement for the issuance of 8,203,333 common shares at a price of $0.15 per share for gross proceeds of $1,230,500; and
- On April 30, 2019, the Company closed a private placement for the issuance of 4,131,667 common shares at a price of $0.30 per share for gross proceeds of $1,239,500.

(Expressed in Canadian Dollars)

7. RELATED PARTY PAYABLES AND TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and Corporate Officers.

The remuneration of key management for the period from incorporation June 18, 2018 to April 30, 2019 are as follows:

	2019 $
Management fees	39,638
Professional fees	35,906
Wages and salaries	142,586
Total	218,130

As at April 30, 2019, accounts payable and accrued liabilities included $9,236 in amounts owing to an Officer of the Company .

8. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly;
- Level 3 - Inputs that are not based on observable market data.

Fair value risk

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and mortgage payable.

The Company's financial instruments approximate their fair values due to their short term natures. Cash, under the fair value hierarchy is based on Level 1 quoted prices in active markets for identical assets or liabilities.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held with a Canadian chartered bank and accordingly, the Company's exposure to credit risk is considered insignificant. The Company's exposure to its receivables equates to their carrying value. The Company's receivable represents refunds due from the Government of Canada and the exposure to credit risk on this amount is considered to be limited.

Liquidity risk

The Company manages liquidity risk by maintaining an adequate level of cash to meet its ongoing obligations. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. As at April 30, 2019, the Company had working capital deficiency of $145,048, and requires additional financing to meet its business objectives.

Market risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk as follows:

(i) Currency risk

Currency risk is the risk of change in profit or loss that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to currency risk as it occasionally incurs equipment purchases denominated in the United States dollar. As at April 30, 2019 the Company is not exposed to currency risk.

8. FINANCIAL INSTRUMENTS (continued)

(ii) Interest rate risk

The Company is not exposed to interest rate risk because it does not have any assets or liabilities subject to variable rates of interest, except for cash held in interest-bearing accounts which poses an insignificant risk exposure.

(iii) Price risk

Equity price risk is defined as the potential adverse impact on the Company's results of operations due to movements in individual equity prices or general movements in the level of the stock market. The Company currently operates as a private company which limits its exposure to price risk, however, the Company has completed several private placement financings, and therefore it is exposed to price risk with respect to equity prices set on its offerings which may impact the level of funds raised and number of common shares issued in those financings.

9. CAPITAL RISK MANAGEMENT

The Company defines capital as the components of shareholders' equity. The Company's objectives when managing capital are to support further advancement of the Company's business objectives, as well as to ensure that the Company is able to meet its financial obligations as they come due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period from incorporation June 18, 2018 to April 30, 2019. The Company is not subject to externally imposed capital requirements.

10. MORTGAGE PAYABLE

On January 7, 2019, the Company entered a mortgage for $2,446,000 which bears interest at the rate of 8.25% per annum, calculated monthly. The mortgage matures on February 1, 2020 and can be repaid before maturity without penalty and is secured by the mortgage property and leasehold improvements.

The mortgage payable is recorded at amortized cost and bears an effective interest rate of 10.44% as at April 30, 2019.

The carrying value of the mortgage payable at April 30, 2019 was $2,407,463. Included in mortgage payable on initial recognition were the related unamortized mortgage transaction costs of $50,755 which are amortized over the term of the mortgage using the effective interest rate method.

The Company maintains minimum interest only payments of $16,016 per month and as at April 30, 2019 total interest paid was $63,165. As at April 30, 2019 the total non-discounted scheduled payments related to the mortgage, including interest payments, total $2,614,162.

(Expressed in Canadian Dollars)

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes for the period ended April 30, 2019, is as follows:

	2019 $
Loss for the period	(903,989)
Expected income tax (recovery)	(244,000)
Other	3,000
Change in recognized deductible temporary differences	241,000
Total income tax expense (recovery)	-

The Company's unused temporary differences, and unused tax losses that have not been included on the statements of financial position as at April 30, 2019 are as follows:

	$	Range
Property, plant and equipment	52,000	N/A
Non-capital loss carry forwards	840,000	2039

Tax attributes are subject to review, and potential adjustment, but tax authorities.

12. SUPPLEMENTAL CASH FLOW INFORMATION

There were no non-cash items during the period from incorporation June 18, 2018 to April 30, 2019.

During the period from incorporation June 18, 2018 to the period ended April 30, 2019 amounts paid for interest was $63,165. No amounts were paid for income tax expenses.

13. SUBSEQUENT EVENT

On June 12, 2019, the Company closed on a Share Purchase Agreement ("SPA") and completed the acquisition of certain assets and liabilities of 1178562 which holds the property and mortgage payable to 5451 275 Street, Langley, BC ("Transaction"). Under the terms of the SPA, the Company acquired the assets and liabilities of 1178562, inclusive of all leasehold rights, intellectual property, and equipment. The Company completed the acquisition for the purpose of consolidating their building and land position and has accounted for the acquisition as a purchase of assets.

On October 31, 2019, the Company closed a 7,060,000 convertible debenture unit offering at a price of $0.45 per debenture unit for gross proceeds $3,177,000. Each debenture consists of a 12% secured convertible debenture with a maturity of two years from the date of issuance. If the holder converts their debenture unit they are entitled to one common share and one share purchase warrant exercisable at $0.75 per share exercisable two years from the date of the convertible debenture closing October 31, 2021 at the holders discretion.

If the closing price of the Common Shares of the Company is higher than $1.00 for any 10 consecutive trading days the expiry date of the Warrants may be accelerated to the 30th day after the date of a news release announcing such acceleration. The debentures will be secured to the facility subordinate to the mortgage currently on the facility.

On August 1, 2019, the Company entered into a Share Exchange Agreement (the "SEA") with Arrowstar Resources Ltd. ("Arrowstar") whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of Arrowstar by the Company (the "Transaction"). Pursuant to the Transaction, Arrowstar will first apply to delist from the TSX Venture Exchange (the "TSXV"), then on closing of the Transaction (the "Closing").all of the issued and outstanding common shares of the Company (the "Adastra Shares") will be exchanged for common shares of Arrowstar (the "AWS Shares"), which will result in the Company becoming a wholly-owned subsidiary of Arrowstar or otherwise combining its corporate existence with a wholly-owned subsidiary of Arrowstar. The resulting issuer upon completion of the Transaction (the "Resulting Issuer") will change its business from mining to cannabis standard processor and analytical testing laboratory and apply to be listed on the Canadian Securities Exchange (the "CSE").

Schedule "B"

Adastra Labs Holdings (2019) Ltd. (formerly Adastra Labs Holdings Ltd.)

Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2019

Adastra Labs Holdings (2019) Ltd. (formerly Adastra Labs Holdings Ltd.)
Condensed Interim Consolidated Statement of Financial Position
Unaudited – Prepared by Management
As at

	Note		July 31, 2019		April 30, 2019
ASSETS					
Current assets					
Cash		$	1,631,892	$	2,362,494
Receivables			97,208		28,283
Prepaid expenses			4,021		8,682
Total current assets			1,733,121		2,399,459
Non-current assets					
Equipment deposits	3		652,051		20,823
Property plant and equipment	3		4,924,149		3,834,236
Total non-current assets			5,576,200		3,855,059
Total asets		$	7,309,321	$	6,254,518
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	5	$	660,186	$	137,044
Subscription deposits	10		1,062,000		-
Mortgage payable	8		2,415,974		2,407,463
Total liabilities		$	4,138,160	$	2,544,507
SHAREHOLDERS' EQUITY					
Share capital	4		4,614,000		4,614,000
Deficit			(1,442,839)		(903,989)
Total shareholders' equity			3,171,161		3,710,011
Total liabilities and shareholders' equity		$	7,309,321	$	6,254,518
Nature and Continuance of Operations	1				
Subsequent Event	10				

Approved and Authorized by the Board on December 20, 2019:

"Andrew Hale" Director

"Blaine Bailey" Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Adastra Labs Holdings (2019) Ltd. (formerly Adastra Labs Holdings Ltd.)
Condensed Interim Consolidated Statement of Loss and Comprehensive Loss
Unaudited – Prepared by Management

	Note	Three months ended July 31, 2019	Three months ended July 31, 2018
Expenses			
Amortization of borrowing costs	8	$ 8,511	$ -
Bank charges		208	28
Depreciation	3	26,265	-
Insurance		9,813	-
Management fees	5	-	39,638
Office		99,686	5,800
Professional fees and consulting	5	230,309	83,984
Rent		15,774	-
Travel		5,996	-
Wages and salaries	5	96,320	40,206
		(492,882)	(169,656)
Other (expenses) and income			
Interest expense		(50,448)	-
Interest income		4,481	-
Loss and comprehensive loss for the period		$ (538,849)	$ (169,656)
Loss and comprehensive loss per share - basic and diluted		$ (0.01)	$ -
Weighted average number of common shares outstanding - basic and diluted		81,138,333	-

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Adastra Labs Holdings (2019) Ltd. (formerly Adastra Labs Holdings Ltd.)
Condensed Interim Consolidated Statement of Cash Flows
Unaudited – Prepared by Management

	Note	Three months ended July 31, 2019	Three months ended July 31, 2018
Cash flows from (used in) operating activities			
Loss for the period		$ (538,850)	$ (169,656)
Items not involving cash:			
Depreciation		26,265	-
Amortization of borrowing costs		8,511	-
Interest expense		50,449	-
Interest income		(4,481)	-
Changes in non-cash working capital:			
Receivables		(68,925)	(5,688)
Prepaid expenses		4,661	(8,400)
Accounts payable and accrued liabilities		523,142	99,366
		772	(84,378)
Cash flows used in investing activities			
Acquisition of property plant and equipment		(1,116,178)	-
Equipment deposits		(631,228)	-
Interest income		4,481	-
		(1,742,925)	-
Cash flows from financing activities			
Subscription advances		-	890,000
Subscription deposits		1,062,000	-
Interest paid - mortgage		(50,449)	-
		1,011,551	890,000
Change in cash		(730,602)	805,622
Cash, beginning of period		2,362,494	-
Cash, end of period		$ 1,631,892	$ 805,622

The accompanying notes are an integral part of these consolidated financial statements.

Adastra Labs Holdings (2019) Ltd. (formerly Adastra Labs Holdings Ltd.)
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
Unaudited – Prepared by Management
For the three months ended July 31, 2019 and 2018

	Common Shares	Share Capital	Deficit	Total
Issuance of incorporation share, June 18, 2018	1	$ 1	$ -	$ 1
Loss for the period	-	-	(169,656)	(169,656)
Balance at July 31, 2018	1	$ 1	$ (169,656)	$ (169,655)
Balance at April 30, 2019	81,138,333	$ 4,614,000	$ (903,989)	$ 3,710,011
Loss for the period	-	-	(538,850)	(538,850)
Balance at July 31, 2019	81,138,333	$ 4,614,000	$ (1,442,839)	$ 3,171,161

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Adastra Labs Holdings Ltd. (formerly PerAspera Holdings Ltd.) (the "Company" or "Adastra") was incorporated under the laws of the province of British Columbia on June 18, 2018. The Company is an extraction and processing solutions company. The Company's mission is to develop and deploy large-scale cannabis and hemp extraction technologies and provide turn-key processing solutions to help licensed standard and micro-cultivators maximize the value of every harvest. The Company's registered and records office is 5451 275th Street, Langley City, British Columbia, V4W 3X8.

These condensed interim consolidated financial statements (the "financial statements") have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might be necessary should the Company be unable to continue in existence.

The Company has been incurring losses and generating negative cash flows since inception. Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will generate sufficient revenue and positive cash flows from operations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited financial statements for the year ended April 30, 2019, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited financial statements.

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss, and have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts in these financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

Principles of consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

Adastra Labs Holdings Ltd. (Formerly PerAspera Holdings Ltd)	Parent company
Adastra Labs Inc.	100% owned Subsidiary
Chemia Analytics Inc.	100% owned Subsidiary
1178562 B.C. Ltd.	100% owned Subsidiary
PEB Phyto Extractions Brands Inc.	100% owned Subsidiary

A subsidiary is an entity controlled by the Company and is included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of a subsidiary are changed where necessary to align them with the policies adopted by the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards

The Company adopted the following accounting standards that are effective for accounting periods beginning on or after January 1, 2019:

- New standard IFRS 16 - *Leases*

  IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and replaced IAS 17, Leases. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

  The Company does not have any leases and accordingly, there was no impact to the Company's financial statements as a result of adopting this new standard.

- New Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments

  On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments ("IFRIC 23"). IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. There was no impact to the Company's financial statements as a result of adopting this new standard.

3. PROPERTY, PLANT AND EQUIPMENT

	Land $	Building $	Furniture and equipment $	Building improvements $	Total $
Cost					
June 18, 2018 (incorporation)	-	-	-	-	-
Additions	1,592,232	1,982,512	11,823	299,643	3,886,210
April 30, 2019	1,592,232	1,982,512	11,823	299,643	3,886,210
Accumulated depreciation					
June 18, 2018 (incorporation)	-	-	-	-	-
Depreciation	-	49,563	2,411	-	51,974
April 30, 2019	-	49,563	2,411	-	51,974
Cost					
April 30, 2019	1,592,232	1,982,512	11,823	299,643	3,886,210
Additions	-	16,816	101	1,099,261	1,116,178
July 31, 2019	**1,592,232**	**1,999,328**	**11,924**	**1,398,904**	**5,002,388**
Accumulated depreciation					
April 30, 2019	-	49,563	2,411	-	51,974
Depreciation	-	24,372	1,893	-	26,265
July 31, 2019	-	**73,935**	**4,304**	-	**78,239**
Net book value					
April 30, 2019	1,592,232	1,932,949	9,412	299,643	3,834,236
July 31, 2019	**1,592,232**	**1,925,393**	**7,620**	**1,398,904**	**4,924,149**

Certain of the Company's property, plant and equipment was not yet in use as at July 31, 2019 and April 30, 2019. Depreciation is taken when items are in the location and condition necessary for it to be capable of operating in a manner intended by management.

As at July 31, 2019, the Company had paid cash deposits for additional cannabis extraction equipment in the amount of $652,051 (April 30, 2019 - $20,823).

4. SHAREHOLDERS' EQUITY

Authorized

Unlimited number of common shares with no par value.

Issued and Outstanding

As at July 31, 2019, the total issued and outstanding share capital consists of 81,138,333 common shares.

On June 20, 2018, the Company issued 1 common share for $1 on incorporation, the Company cancelled the incorporation share on February 7, 2019;

No share issuances during the period ended July 31, 2019.

5. RELATED PARTY PAYABLES AND TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and Corporate Officers.

The remuneration of key management for the period July 31, 2019 and 2018 are as follows:

	2019 $	2018 $
Consulting fees	7,500	-
Management fees	-	39,638
Professional fees	35,148	-
Wages and salaries	45,043	7,500
Total	87,691	47,138

As at July 31, 2019 and April 30, 2019, accounts payable and accrued liabilities included $13,275 (April 30, 2019 - $9,236) in amounts owing to an Officer of the Company .

6. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly;
- Level 3 - Inputs that are not based on observable market data.

Fair value risk

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and mortgage payable.

The Company's financial instruments approximate their fair values due to their short term natures. Cash, under the fair value hierarchy is based on Level 1 quoted prices in active markets for identical assets or liabilities.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held with a Canadian chartered bank and accordingly, the Company's exposure to credit risk is considered insignificant. The Company's exposure to its receivables equates to their carrying value. The Company's receivable represents refunds due from the Government of Canada and the exposure to credit risk on this amount is considered to be limited.

Liquidity risk

The Company manages liquidity risk by maintaining an adequate level of cash to meet its ongoing obligations. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. As at July 31, 2019, the Company had working capital deficiency of $2,405,039, and requires additional financing to meet its business objectives.

Market risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk as follows:

(i) **Currency risk**

Currency risk is the risk of change in profit or loss that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to currency risk as it occasionally incurs equipment purchases denominated in the United States dollar. As at July 31, 2019 the Company is not exposed to currency risk.

6. FINANCIAL INSTRUMENTS (continued)

(ii) Interest rate risk

The Company is not exposed to interest rate risk because it does not have any assets or liabilities subject to variable rates of interest, except for cash held in interest-bearing accounts which poses an insignificant risk exposure.

(iii) Price risk

Equity price risk is defined as the potential adverse impact on the Company's results of operations due to movements in individual equity prices or general movements in the level of the stock market. The Company currently operates as a private company which limits its exposure to price risk, however, the Company has completed several private placement financings, and therefore it is exposed to price risk with respect to equity prices set on its offerings which may impact the level of funds raised and number of common shares issued in those financings.

7. CAPITAL RISK MANAGEMENT

The Company defines capital as the components of shareholders' equity. The Company's objectives when managing capital are to support further advancement of the Company's business objectives, as well as to ensure that the Company is able to meet its financial obligations as they come due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended July 31, 2019. The Company is not subject to externally imposed capital requirements.

8. MORTGAGE PAYABLE

On January 7, 2019, the Company entered a mortgage for $2,446,000 which bears interest at the rate of 8.25% per annum, calculated monthly. The mortgage matures on February 1, 2020 and can be repaid before maturity without penalty and is secured by the mortgage property and building improvements.

The mortgage payable is recorded at amortized cost and bears an effective interest rate of 10.44% as at July 31, 2019 and April 30, 2019.

The carrying value of the mortgage payable at July 31, 2019 and April 30, 2019 was $2,415,974 and $2,407,463. Included in mortgage payable on initial recognition were the related mortgage transaction costs of $50,755 which are amortized over the term of the mortgage using the effective interest rate method.

The Company maintains minimum interest only payments of $16,816 per month. As at July 31, 2019 the total non-discounted remaining scheduled payments related to the mortgage including interest payments, total $2,563,714.

9. SUPPLEMENTAL CASH FLOW INFORMATION

There were no non-cash items during the period July 31, 2019 and 2018

During the period ended July 31, 2019 and 2018 amounts paid for interest were $50,449 and $nil. No amounts were paid for income tax expenses.

10. SUBSEQUENT EVENT

On October 31, 2019, the Company closed a 7,060,000 convertible debenture unit offering at a price of $0.45 per debenture unit for gross proceeds $3,177,000. Each debenture consists of a 12% secured convertible debenture with a maturity of two years from the date of issuance. If the holder converts their debenture unit they are entitled to one common share and one share purchase warrant exercisable at $0.75 per share exercisable two years from the date of the convertible debenture closing October 31, 2021 at the holders discretion.

If the closing price of the Common Shares of the Company is higher than $1.00 for any 10 consecutive trading days the expiry date of the Warrants may be accelerated to the 30th day after the date of a news release announcing such acceleration. The debentures will be secured to the facility subordinate to the mortgage currently on the facility.

On August 1, 2019, the Company entered into a Share Exchange Agreement (the "SEA") with Arrowstar Resources Ltd. ("Arrowstar") whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of Arrowstar by the Company (the "Transaction"). Pursuant to the Transaction, Arrowstar will first apply to delist from the TSX Venture Exchange (the "TSXV"), then on closing of the Transaction (the "Closing") all of the issued and outstanding common shares of the Company (the "Adastra Shares") will be exchanged for common shares of Arrowstar (the "AWS Shares"), which will result in the Company becoming a wholly-owned subsidiary of Arrowstar or otherwise combining its corporate existence with a wholly-owned subsidiary of Arrowstar. The resulting issuer upon completion of the Transaction (the "Resulting Issuer") will change its business from mining to cannabis standard processor and analytical testing laboratory and apply to be listed on the Canadian Securities Exchange (the "CSE").

Schedule "C"

ARROWSTAR RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(unaudited - Expressed in Canadian Dollars)

NOTICE TO READER

The condensed consolidated interim financial statements of the Company for the first quarter ended September 30, 2019 have been prepared by and are the responsibility of the Company's management.

ARROWSTAR RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	September 30, 2019	December 31, 2018
ASSETS		
Current		
Cash (Note 3)	$ 10,648	$ 37,629
Marketable securities (Note 4)	700	1,500
Receivables (Note 5)	4,308	1,914
Prepaid expenses	6,638	3,307
	22,294	44,350
Deposit (Note 6)	4,000	4,000
	$ 26,294	$ 48,350
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 784,751	$ 550,778
Due to related parties (Note 8)	54,945	54,945
	839,696	605,723
Shareholders' deficiency		
Share capital (Note 9)	19,758,951	19,758,951
Reserves (Note 9)	3,158,674	3,158,674
Deficit	(23,731,027)	(23,474,998)
	(813,402)	(557,373)
	$ 26,294	$ 48,350

Nature of operations and going concern (Note 1)
Proposed transaction (Note 13)

On behalf of the Board:

"Phillip Thomas" Director *"Blaine Bailey"* Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ARROWSTAR RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
EXPENSES				
Consulting fees (Note 8)	$ 18,000	$ 18,000	$ 88,900	$ 104,000
Foreign exchange (gain) loss	175	535	1,606	(54)
Insurance	1,326	2,863	5,929	7,890
Investor relations	-	3,428	-	3,428
Office	1,409	2,289	3,716	7,093
Professional fees	67,182	72,020	139,032	93,403
Regulatory fees	5,219	1,667	16,046	13,586
Travel	-	13,685	-	13,685
	(93,311)	(114,487)	(255,229)	(243,031)
Interest income	-	22	-	22
Unrealized loss on marketable securities (Note 4)	(100)	(400)	(800)	(200)
	(100)	(378)	(800)	(178)
Loss and comprehensive loss for the period	$ (93,411)	$ (114,865)	$ (256,029)	$ (243,209)
Loss per common share -Basic and diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding -Basic and diluted	27,924,921	27,924,921	27,924,921	25,745,434

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ARROWSTAR RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30
(Unaudited - Expressed in Canadian Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (256,029)	$ (243,209)
Items not affecting cash:		
Unrealized loss on marketable securities	800	200
Interest income	-	(22)
Changes in non-cash working capital items:		
Receivables	(2,394)	(346)
Prepaid expenses	(3,331)	(20,000)
Accounts payable and accrued liabilities	233,973	37,056
Net cash used in operating activities	(26,981)	(226,321)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares	-	300,000
Share issue costs	-	(9,180)
Related party loans	-	2,500
Net cash provided by financing activities	-	293,320
Increase (decrease) in cash during the period	(26,981)	66,999
Cash, beginning of period	37,629	219
Cash, end of period	$ 10,648	$ 67,218

Supplemental disclosure with respect to cash flows (Note 10)

ARROWSTAR RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Unaudited - Expressed in Canadian Dollars)

	Share Capital		Reserves			
	Number of shares	Amount	Options	Warrants	Deficit	Total
Balance, December 31, 2017	22,924,921	$ 19,473,636	$ 3,058,969	$ 94,200	$ (23,050,522)	$ (423,717)
Shares issued for:						
Private placement – units	5,000,000	300,000	-	-	-	300,000
Share issue costs	-	(14,685)	-	5,505	-	(9,180)
Loss for the period	-	-	-	-	(243,209)	(243,209)
Balance, September 30, 2018	22,924,921	19,758,951	3,058,969	99,705	(23,293,731)	(376,106)
Loss for the period	-	-	-	-	(181,267)	(181,267)
Balance, December 31, 2018	27,924,921	19,758,951	3,058,969	99,705	(23,474,998)	(557,373)
Loss for the period	-	-	-	-	(256,029)	(256,029)
Balance, September 30, 2019	27,924,921	$ 19,758,951	$ 3,058,969	$ 99,705	$ (23,731,027)	$ (813,402)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Arrowstar Resources Ltd. (the "Company") was incorporated on October 14, 1987 under the laws of British Columbia. The Company's head office address is Suite 2300 – 1177 West Hastings Street, Vancouver, BC, V6E 2K3. The Company is listed on the TSX Venture exchange ("TSX-V") under the symbol AWS. To date, the Company has not earned operating revenue.

The Company's principal business is the identification and evaluation of assets, or a business, and once identified or evaluated, to negotiate the acquisition or participation in the business (Note 13).

As at September 30, 2019, the Company has a working capital deficit of $817,402 (December 31, 2018 – $561,373) and an accumulated deficit of $23,731,027 (December 31, 2018 - $23,474,998). The Company expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed consolidated interim financial statements have been prepared on the historical cost basis, except for assets and liabilities recorded at fair value. Intercompany balances and transactions are eliminated on consolidation. The presentation and functional currency of the Company is the Canadian dollar.

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2018.

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its condensed consolidated interim financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2018. In addition the accounting policies applied in these condensed consolidated interim financial statements are consistent

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2018.

Approval of condensed interim consolidated financial statements

The condensed interim consolidated financial statements for the nine months ended September 30, 2019 were reviewed, approved and authorized for issue by the board on November 20, 2019.

Basis of consolidation

These consolidated financial statements of the Company include the transactions and balances of its subsidiary, Arrowstar Arizona Resources Ltd., which was a wholly owned inactive subsidiary incorporated in the state of Arizona USA.

The Company consolidates its subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies.

All intercompany transactions and balances are eliminated on consolidation.

New accounting standards

The Company adopted the following accounting standard that is effective for accounting periods beginning on or after January 1, 2019:

IFRS 16 - *Leases*

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and replaced IAS 17, Leases. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

The Company does not have any leases and accordingly, there was no impact to the Company's financial statements as a result of adopting this new standard.

3. CASH

The Company's cash consists of the following:

	September 30, 2019	December 31, 2018
Cash held with banks	$ 4,599	$ 6,768
Cash held with banks in foreign currencies	6,049	30,861
Total	$ 10,648	$ 37,629

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES

On November 8, 2011, the Company received 10,000 shares in Dunnedin Ventures Inc. (formerly Ocean Park Ventures Corp.) as part of a property option agreement. The shares were valued at $45,000 on receipt and have been re-valued at September 30, 2019 to their fair market value of $700 (December 31, 2018 – $1,500).

5. RECEIVABLES

	September 30, 2019	December 31, 2018
GST receivable	$ 4,308	$ 1,914

6. EXPLORATION AND EVALUATION ASSETS

As at September 30, 2019, the Company holds a reclamation deposit on a previously written-off exploration and evaluation asset in the amount of $4,000 (December 31, 2018 - $4,000).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2019	December 31, 2018
Trade payables	$ 768,251	$ 529,778
Accrued liabilities	16,500	21,000
	$ 784,751	$ 550,778

8. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Key management personnel compensation for the period ended September 30 was:

	2019	2018
Short-term benefits paid or accrued:		
Consulting fees	$ 88,900	$ 104,000
Total remuneration	$ 88,900	$ 104,000

Accounts payable and accrued liabilities as at September 30, 2019 included $382,573 (December 31, 2018 - $280,974) owed to directors and companies controlled by a director or officer.

The Company entered into loan agreements with Panopus PLC ("Panopus"), a company controlled by Phil Thomas, CEO and director of the Company. The loans are summarized as follows:

- On January 3, 2017, Panopus extended a USD$7,500 (CDN$9,912) unsecured loan to the Company repayable within six months. On July 3, 2017 the loan was extended for an additional six month term. On maturity the Company is required to repay the principal plus interest of US$563.
- On January 27, 2017, Panopus extended a $10,000 unsecured loan to the Company repayable within six months. On July 27, 2017 the loan was extended for an additional six month term. On maturity the Company is required to repay the principal plus interest of $1,500.
- On March 29, 2017, Panopus extended a $17,000 unsecured loan to the Company repayable within six

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTION (cont'd...)

- months. On September 29, 2017 the loan was extended for an additional six month term.
- On November 17, 2017, Panopus extended a $2,010 non-interest bearing unsecured loan to the Company repayable within six months.

The balance of principal and interest on the loans as at September 30, 2019 is $42,445 (December 31, 2018 – $42,445). As at September 30, 2019, these loans have not been repaid and are due on demand.

As of September 30, 2019, an officer of the Company had advanced $12,500 (December 31, 2018 – $12,500) to the Company. The advance is non-interest bearing with no set repayment terms.

9. SHARE CAPITAL AND RESERVES

Authorized – Unlimited common shares without par value

2019 Transactions

There was no share issuance during the period ended September 30, 2019.

2018 Transactions

On April 26, 2018 the Company issued 5,000,000 units at $0.06 per unit for gross proceeds of $300,000. Each unit consists of one common share and one share purchase warrant entitling the holder the purchase an additional share of the Company for a period of two years at $0.20 per warrant in year one and $0.30 in year two.

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to directors, senior officers, employees, management company employees, and consultants to acquire up to 10% of the issued and outstanding common shares. Under the plan, the maximum issuance in any 12 month period is limited for any consultant or person providing investor relations services to 2%, for insiders to 10% and for any other person to 5%. The exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of five years. Options issued for investor relations services will be subject to a vesting schedule of at least 12 months whereby no more than 25% of the options granted may vest within any three-month period. All other vesting terms are determined by the Board of Directors.

As at September 30, 2019, the Company had Nil stock options outstanding.

	Number of Options	Weighted Average Exercise Price
As at December 31, 2018 and 2017	1,300,000	$ 0.125
Options cancelled	(1,300,000)	0.125
As at September 30, 2019	-	$ 0.00

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd…)

Warrants

As at September 30, 2019, the Company had share purchase warrants outstanding enabling the holders to acquire common shares as follows:

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2017	9,380,500	$ 0.13
Warrants granted	5,115,500	0.20
Warrants expired	(6,900,000)	0.12
As at September 30, 2019 and December 31, 2018	7,596,000	$ 0.25

The weighted average remaining contractual life of warrants outstanding at September 30, 2019 was 0.52 (December 31, 2018 – 1.27) years.

Warrants outstanding are as follows:

Number of Shares	Exercise Price	Expiry Date
2,480,500	$ 0.15	February 20, 2020
5,115,500	$ 0.30	April 26, 2020
7,596,000	$ 0.25	

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions during the periods ended September 30, 2019 or September 30, 2018.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data

The fair value of cash and marketable securities are measured at Level 1 of the fair value hierarchy. The carrying value of receivables, accounts payable and accrued liabilities and due to related parties approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote and has deposited cash in high credit quality financial institutions.

Liquidity risk

As of September 30, 2019, the Company had cash balance of $10,648 (December 31, 2018 - $37,629) to settle current liabilities of $839,696 (December 31, 2018 - $605,723). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company will need to raise additional funds through equity or debt to continue its operations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Amounts exposed to market risk include marketable securities of $700 (December 31, 2018 - $1,500).

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade demand investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in US Dollars. Amounts exposed to foreign currency risk include cash of US$4,568 as of September 30, 2019 (December 31, 2018 - US$22,622).

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

12. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of all components of shareholders' deficiency, specifically its issued common shares, stock options and warrants.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient

12. CAPITAL MANAGEMENT (cont'd..)

economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There were no changes to the Company's approach to capital management during the year.

13. PROPOSED TRANSACTION

The Company has entered into a letter of intent (the "LOI") to enter into a Share Exchange Agreement with Adastra Labs Holdings Ltd. ("Adastra") whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of the Company by Adastra (the "Transaction"). Pursuant to the Transaction, the Company will first apply to delist from the TSX-V, then on closing of the Transaction (the "Closing") all of the issued and outstanding common shares of Adastra (the "Adastra Shares") will be exchanged for common shares of the Company (the "AWS Shares"), which will result in Adastra becoming a wholly-owned subsidiary of the Company or otherwise combining its corporate existence with a wholly-owned subsidiary of the Company. The resulting issuer upon completion of the Transaction (the "Resulting Issuer") will change its business from mining to cannabis standard processor and analytical testing laboratory and apply to be listed on the Canadian Securities Exchange (the "CSE"). During the period ended September 30, 2019 the Company received conditional approval to list on the CSE.

There can be no assurance that the TSX-V will approve the proposed TSX-V delisting or that the CSE will approve the listing of the Resulting Issuer's shares. Non-approval of the transfer of the listing will prohibit or negatively impact closing of the Transaction with the result that the Company may need to seek and secure another acquisition of a business or assets to ensure that the Company will meet the TSX-V's continued listing requirements.

Shareholder Approvals for the Company

Prior to the completion of the Transaction, the Company will call a meeting of its shareholders for the purpose of approving, among other matters, (i) the TSX-V delisting; (ii) the listing on the CSE; and (iii) the approval of the Transaction.

Adastra Private Placement

Prior to or concurrently with closing, Adastra is to complete up to $4,000,000 12% Secured Convertible Debentures convertible to units and a private placement of a minimum $1,000,000 and a maximum of $5,000,000 (the "Adastra Private Placement"). Final terms of the Adastra Private Placement such as pricing, financing structure, commission and finder's or agent's fees will be subject to final approval by Adastra, the CSE and/or other applicable regulatory authorities.

Securities Exchange and the Company Warrants

Pursuant to the Transaction, all of the existing 81,138,333 Adastra Shares will be acquired by the Company in consideration of the Company issuing one common share of the Company for each Adastra Share issued and outstanding immediately prior to closing (the "Exchange Ratio).

In addition, all Adastra Shares issued in the Adastra Private Placement will be exchanged into common share of the Company upon completion of the Transaction at the Exchange Ratio, and all Adastra convertible securities issued in the Adastra Private Placement shall be exchanged, at the Exchange Ratio, for an equivalent number of convertible securities of the Company on the same terms and conditions with the exercise/conversion price adjusted based on the Exchange Ratio.

Further, following closing, the outstanding warrants of the Company will remain in effect.

13. PROPOSED TRANSACTION (cont'd...)

Management of the Resulting Issuer

Upon closing of the Transaction, Philip Thomas and Andrew Jarvis, the Company's current directors and officer, will resign. The board of directors of the Resulting Issuer will consist of four directors, including Blaine Bailey, Stephen Brohman, who will also be appointed CFO, George Routhier and Andrew Hale, who will be appointed President and CEO of the Resulting Issuer.

Name Change

It is anticipated that Arrowstar will be renamed "Adastra Labs Holdings Ltd." following completion of the Transaction.

The Company will consolidate its shares on a of five (5) old Company shares for one (1) new Company share prior to closing of the Transaction. In addition, the Company will complete an equity offering post share consolidation, to raise $500,000, through the issuance of 10,000,000 common shares at a price of $0.05 per share, or such other terms as the Company and Adastra may agree, mutually in writing.

Closing Conditions

The completion of the Transaction is also subject to several other conditions, including but not limited to the following:

- completion of mutually satisfactory due diligence;
- completion of the Private Placement; and
- receipt of all required regulatory, corporate and third-party approvals, including approvals by the TSXV, the CSE, the shareholders of the Company and Adastra, and fulfilment of all applicable regulatory requirements and conditions necessary to complete the Transaction.

Schedule "D"

ADASTRA LABS HOLDINGS LTD. (foremerly Arrowstar Resources Ltd.)

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2019

ADASTRA LABS HOLDINGS LTD. (foremerly Arrowstar Resources Ltd.)
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Adastra Labs Holdings Ltd. (foremerly Arrowstar Resources Ltd.) as at September 30, 2019	Adastra Labs Holdings (2019)Ltd. (foremerly Adastra Labs Holdings Ltd.) as at April 30, 2019	Note	Pro-forma Adjustments	Pro-forma Consolidated
ASSETS	$	$		$	$
Current assets					
Cash	10,648	1,631,892	4(b)	500,000	
			4(c)	(150,000)	
			4(d)	2,651,605	
			4(e)	3,177,000	
			4(e)	(1,062,000)	6,759,145
Marketable securitieis	700	-		-	700
Receivables	4,308	97,208		-	101,516
Prepaid expenses	6,638	4,021		-	10,659
	22,294	1,733,121		5,116,750	6,872,020
Deposit	4,000	-		-	4,000
Equipment deposit	-	652,051	4(e)	-	652,051
Property, plant and equipment	-	4,924,149		-	4,924,149
Total assets	26,294	7,309,321		5,116,750	12,452,220
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)					
Current liabilities					
Trade and other payables	784,751	660,186	4(b)	(303,552)	1,141,385
Subscription deposits	-	1,062,000	4(e)	(1,062,000)	-
Due to related parties	54,945	-		-	54,945
Mortgage payable	-	2,415,974		-	2,415,974
	839,696	4,138,160		(1,365,552)	3,612,304
Convertible note	-	-		3,022,054	3,022,054
Total liabilities	839,696	4,138,160		1,656,502	6,634,358
Shareholders' equity (deficit)					
Share capital	19,758,951	4,614,000	4(a)	(19,758,951)	
			4(a)	1,082,802	
			4(b)	500,000	
			4(b)	303,552	
			4(d)	2,651,605	9,151,959
Equity component – convertible note	-	-	4(e)	154,946	154,946
Reserves – contributed surplus	3,158,674	-	4(a)	(3,158,674)	-
Deficit	(23,731,027)	(1,442,839)	4(a)	23,731,027	
			4(a)	(1,896,204)	
			4(c)	(150,000)	(3,489,043)
Total shareholders' equity (deficit)	(813,402)	3,171,161		3,460,248	5,817,862
Total liabilities and shareholders' equity	26,294	7,309,321		5,116,750	12,452,220

The accompanying notes are an integral part of these pro-forma consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying unaudited pro-forma consolidated financial statements of Adastra Labs Holdings Ltd. (foremerly Arrowstar Resources Ltd.) ("Arrowstar" or "the Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") from information derived from the financial statements of Arrowstar and the financial statements of Adastra Labs Holdings (2019) Ltd. ("Adastra") to show effect of the proposed transaction (the "Transaction") as discussed in Note 3.

The unaudited pro-forma consolidated financial statements of the Company are compiled from and include:

a) The Company's audited financial statements as at December 31, 2018 and for the year then ended.
b) Adastra's audited financial statements as at April 30, 2019 and for the period from incorporation on June 18, 2018 to April 30, 2019.
c) The Company's unaudited condensed interim financial statements as at September 30, 2019 and for the nine months ended September 30, 2019 and 2018.
d) Adastra's unaudited condensed consolidated interim financial statements as at July 31, 2019 and for the three months ended July 31, 2019.
e) The additional information set out in Note 3.

The financial statements of Arrowstar have been presented in Canadian Dollars (C$), which is its functional currency.

The unaudited pro-forma consolidated financial statements should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2018, the audited financial statements of Adastra for the period from incorporation June 18, 2018 to April 30, 2019, the unaudited condensed interim financial statements of the Company as at September 30, 2019 and for the nine months ended September 30, 2019 and 2018 and the unaudited consensed interim consolidated financial statements of Adastra for the three months ended July 31, 2019.

The unaudited pro-forma consolidated statement of financial position as at September 30, 2019 has been prepared as if the transactions had occurred on September 30, 2019.

The unaudited pro-forma consolidated financial statements are not necessarily indicative of the financial position that would have been achieved if the proposed transactions had been completed on the dates indicated, nor do they purport to project the financial position or results of operations of the consolidated entities for any future period. In the opinion of the management of Arrowstar and Adastra, the unaudited pro-forma consolidated statements include all adjustments necessary for a fair presentation of the proposed transaction in Note 3. These unaudited pro-forma consolidated financial statements do not reflect any cost savings that could result from the combination of the operations of Arrowstar and Adastrat, as management does not anticipate any material cost savings as a result of the Transaction.

The pro-forma adjustments are based in part on estimates, including the fair values of the assets acquired and liabilities assumed, as applicable. For purposes of the pro-forma consolidated statement of financial position, it is assumed that there are no tax consequences and no income tax effect is being recorded. Both entities have incurred losses since inception and when combined are also not expected to generate profits in the immediate future, and therefore neither entity carries any deferred tax assets in its most recent financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited pro-forma consolidated financial statements are consistent with those set out in the audited financial statements of Arrowstar for the year ended December 31, 2018, the audited financial statements of Adastra for the period from incorporation on June 18, 2018 to April 30, 2019, the unaudited condensed interim financial statements of Arrowstar as at September 30, 2019 and for the nine months ended September 30, 2019 and 2018, which are applied in the preparation of the unaudited pro-forma consolidated financial statements as at and for the period ended September 30, 2019.

3. DESCRIPTION OF THE TRANSACTION

Execution of Arrangement Agreement

On June 13, 2019, the Company entered into an Arrangement Agreement (the "Agreement") with Adastra to affect a reverse takeover transaction and conduct a concurrent private placement of subscription receipts (the "Subscription Receipts") and secured convertible debenture offering.

Under the terms of the Agreement, it was proposed that the Company would acquire all the issued and outstanding securities of Adastra in return for common shares of Arrowstar at a conversion rate of 1.0 common shares of Arrowstar for every one common share held of Adastra (the "Share Exchange"). The result of the Share Exchange will constitute a reverse takeover of the Company by the shareholders of Adastra (the "Proposed Transaction").

The resulting issuer of the Proposed Transaction (the "Resulting Issuer") will continue towards the implementation of Adastra's business plan and overall operations.

Upon Closing of the Proposed Transaction and subject to receipt of approvals of the TSX Venture Exchange (the "TSXV") for the delisting of the Company shares from the TSXV (the "TSXV Delisting") and the Canadian Securities Commission (the "CSE") for the listing of the Company shares on the CSE (the "CSE Listing"), the listing of Company shares will be transferred from the TSXV to the CSE. The TSXV Delisting is subject to the Company receiving approval from the TSXV and the CSE Listing is subject to the Company receiving approval from the CSE. There can be no assurance that the TSXV will approve the proposed TSXV Delisting or that the CSE will approve the listing of the Resulting Issuer's shares. Non-approval of the transfer of the listing will prohibit or negatively impact closing of the Proposed Transaction with the result that the Company may need to seek and secure another acquisition of a business or assets to ensure that the Company will meet the TSXV's continued listing requirements.

Prior to the completion of the Proposed Transaction, the Company will call a meeting of its shareholders "Shareholer meeting") for the purpose of approving, among other matters, (i) the TSXV Delisting; (ii) the Listing on the CSE; and (iii) the approval of the Proposed Transaction.

On August 1, 2019, the Company entered into a Share Exchange Agreement (the "SEA") with Adastra whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of Arrowstar by the Company (the "Transaction"). Pursuant to the Transaction, Arrowstar will first apply to delist from the TSXV, then on closing of the Transaction (the "Closing") all of the issued and outstanding common shares of the Company (the "Adastra Shares") will be exchanged for common shares of Arrowstar (the "AWS Shares"), which will result in the Company becoming a wholly-owned subsidiary of Arrowstar or otherwise combining its corporate existence with a wholly-owned subsidiary of Arrowstar. The resulting issuer upon completion of the Transaction (the "Resulting Issuer") will change its business from mining to cannabis standard processor and analytical testing laboratory and apply to be listed on the CSE.

The Company held their Shareholder meeting on November 22, 2019, all matters before the shareholders have been approved.

It is intended that the common shares of the Company will remain halted until the Proposed Transaction closes or the Agreement is terminated.

3. DESCRIPTION OF THE TRANSACTION (continued)

Non-Brokered Private Placement Adastra

Concurrently with the execution of the Agreement, the Company and Adastra determined that a non-brokered private placement (the "Adastra Private Placement") of up to $5,000,000 be structured as an offering of Subscription Receipts in the capital of Adastra. The Adastra Private Placement will consist of up to 11,111,111 units at a price of $0.45 per unit, with each unit consisting of one (1) underlying common share of Adastra (the "Adastra Shares") and one underlying Adastrar share purchase warrant (the "Adastra Warrants").

On December 20, 2019, Adastra closed 5,892,456 unit offering at a price of $0.45 per unit for gross proceeds of $2,651,605, with each unit consisting of one (1) underlying common share of Adastra and one underlying Adastra share purchase warrant exercisable three years from the date of closing December 20, 2022.

Reverse Stock Split

In conjunction with the execution of the Agreement Arrowstar will split its securities on a 5-to-1 basis, such that the share capital of Arrowstar shall consist of 5,584,984 common shares (exclusive of the Adastra Shares), 1,519,200 share purchase warrants (exclusive of the Adastra Warrants), and, immediately prior to the Proposed Transaction.

Non-brokered Private Placement and Shares for Debt Arrowstar

In conjunction with the execution of the Agreement, a non-brokered private placement (the "Arrowstar Private Placement") of up to $500,000 in the capital of Arrowstar and settlement of liabilities ("Arrowstar Shares for Debt") of $303,552 will be completed. The Arrowstar Private Placement will consist of up to 10,000,000 common shares at a price of $0.05 per common share and the Arrowstar Shares for Debt will represent 6,071,046 at a price of $0.05.

On December 20, 2019, the Company closed 10,000,000 common share shares private placement at a price of $0.05 per common share and gross proceeds of $500,000.

Transaction Accounting

On completion of the Transaction, the shareholders of Adastra will obtain control of the Resulting Issuer by obtaining approximately 80.1% of the common shares of the Resulting Issuer and the resulting power to govern the financial and operating policies of the combined entities, as further supported by Adastra holding 2 of the 4 Board positions of the Resulting Issuer.

Although the Transaction resulted in a single entity, control passed to the former shareholders of Adastra and the Transaction constitutes a reverse takeover of Arrowstar by Adastra and has been accounted for as a reverse takeover transaction in accordance with the guidance provided in IFRS 2 *Share-based Payments* and IFRS 3 *Business Combinations*. As Arrowstar did not qualify as a business according to the definitions within IFRS 3, the reverse takeover does not constitute a business combination; rather the Transaction was accounted for as an asset acquisition and including Arrowstar's public listing. Accordingly, no goodwill or intangible assets were recorded with respect to the Transaction as it does not constitute a business.

For accounting purposes, Adastra will be treated as the accounting parent company (legal subsidiary) and Arrowstar as the accounting subsidiary (legal parent).

(Unaudited - Expressed in Canadian Dollars)

3. DESCRIPTION OF THE TRANSACTION (continued)

The Transaction is measured at the fair value of the shares that Adastra would have had to issue to shareholders of Arrowstar to give shareholders of Arrowstar the same percentage equity interest in the combined entity that results from the reverse takeover had it taken the legal form of Adastra acquiring Arrowstar. The fair value of the common shares was determined to be $0.05 based on the concurrent Arrowstar Private Placement, and is considered as a significant estimate and judgement.

A listing expense of $1,896,204 has been charged to profit or loss to reflect the difference between the fair value of the consideration paid, and the fair value of the net liabilities acquired from Arrowstar in accordance with *IFRS 2 Share-based Payments*.

Information Circular, Plan of Arrangement and Change of Business

On November 4, 2019, the Company, in concert with Adastra, submitted an Information Circular to the CSE for approval of the Plan of Arrangement and Change of Business.

4. PRO-FORMA ADJUSTMENTS AND ASSUMPTIONS

The fair value of the net assets (liabilities) of Arrowstar as at September 30, 2019, prior to the Transaction were:

Current assets	$ 22,294
Non-current assets	4,000
Current liabilities	(839,696)
	$ (813,402)

The consideration consists of the fair value of 21,656,030 Arrowstar common shares outstanding valued at $1,082,802 ($0.05 per share):

Consideration	$ 1,082,802
Net monetary liabilities acquired	813,402
Listing expense	$ 1,896,204

The unaudited pro-forma consolidated statements reflect the following adjustments:

a) To record the consideration of 21,656,030 Arrowstar common shares at a fair value of $0.05 per share and to eliminate historical equity accounts of Arrowstar.

b) To record completion of the Arrowstar Private Placement, consisting of 10,000,000 common shares at a price of $0.05 per share for gross proceeds of $500,000 and to record competion of the Arrowstar Shares for Debt, consisting of 6,071,046 common shares for settlement of $303,552 in debt.

c) To record expected costs of $150,000 associated with the completion of the Transaction and the associated Information Circular and listing statement.

d) To record completion of the Adastra Private Placement, consisting of 5,892,456 units at a price of $0.45 per unit for gross proceeds of $2,651,605.

e) To record completion of the convertible note offering, consisting of $3,177,000 at a conversion price of $0.45 per unit. and 12% interest which matures in 2 years from closing of the offering. The equity component of the convertible note was $154,946; discount rate 15%.

(Unaudited - Expressed in Canadian Dollars)

5. PRO-FORMA SHARE CAPITAL

Share capital as at September 30, 2019 in the unaudited pro-forma consolidated statement of financial position is comprised of the following:

	Number of Common Shares	Amount ($)
Authorized		
Unlimited number of common shares, no par value		
Unlimited number of preferred shares, no par value		
Issued		
Adastra common shares outstanding as at April 30, 2019	81,138,333	4,614,000
Arrowstar common shares outstanding as at September 30, 2019	5,584,984	19,758,951
Arrowstar Private Placement completed	10,000,000	500,000
Arrowstar Shares for Debt completed	6,071,046	303,552
Acquisition adjustment – eliminate Adastra common shares	(81,138,333)	-
Acquisition adjustment – eliminate Arrowstar share capital	-	(19,758,951)
Adastra Private Placement completed	5,892,456	2,651,605
Acquisition adjustment – issuance of Arrowstar common shares	81,138,333	1,082,802
Common shares outstanding after the Transaction	108,686,819	9,151,959

Basic and Diluted Loss per Share

The loss per share stated on the pro-forma consolidated statement of loss and comprehensive loss for the period ended September 30, 2019 and the pro-forma consolidated statement of loss and comprehensive loss for the year/period ended has been computed on a post-conversion basis of the Resulting Issuer.

For purposes of these pro-forma consolidated financial statements, all stock options and warrants have been excluded from the diluted weighted average number of shares calculation, as their effect would have been anti-dilutive.

CERTIFICATE OF ADASTRA LABS HOLDINGS LTD.

Pursuant to a resolution duly passed by the board of directors of Adastra Labs Holdings Ltd. (the "Issuer"), the Issuer, hereby applies for the listing of the above mentioned securities on the Canadian Securities Exchange. The foregoing contains full, true and plain disclosure of all material information relating to the Issuer. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia this 30th day of December, 2019.

"Andrew Hale"
ANDREW HALE
Chief Executive Officer, Director

"Stephen Brohman"
STEPHEN BROHMAN
Chief Financial Officer, Secretary, Director

"*Blaine Bailey*"
BLAINE BAILEY
Director

"Georges Routhier"
GEORGES ROUTHIER
Director