

NOTICE OF CHANGE IN CORPORATE STRUCTURE

Pursuant to Section 4.9 of National Instrument 51-102
Continuous Disclosure Obligations ("NI 51-102")

***Item 1* Names of the Parties to the Transaction**

Adastra Labs Holdings Ltd. (formerly Arrowstar Resources Ltd.) (the "**Company**")
Adastra Labs Holdings Ltd. (now Adastra Labs Holdings (2019) Ltd. ("**Adastra**") and
the shareholders of Adastra.

***Item 2* Description of the Transaction**

On December 19, 2019, the Company closed its acquisition of all of the issued and outstanding common shares of Adastra pursuant to a Share Exchange Agreement dated as of August 1, 2019 with Adastra and its shareholders whereby the parties completed a business combination by way of a transaction that constituted a reverse takeover of the Company by Adastra (the "**Transaction**"). Pursuant to the Share Exchange Agreement, the Company acquired all of the 81,138,333 Adastra shares in exchange for 81,138,333 common shares (post-consolidation) of the Company on the basis of one (1) common share (post-consolidation) of the Company for every Adastra share, as a result of which Adastra became a wholly-owned subsidiary of the Company. Certain common shares issued to the principals of the Company are subject to escrow conditions required by applicable securities laws and Canadian Securities Exchange requirements.

In connection with the Transaction, the Company, completed the following (all of which were closing conditions):

- The voluntary delisting of the Company's common shares from the TSX Venture Exchange effective at the close of trading on December 17, 2019;
- A consolidation of its issued and outstanding common shares (the "**Consolidation**") based on one (1) post-Consolidation common share for every five (5) pre-Consolidation common shares, effective December 18, 2019. As a result of the Consolidation, the number of issued and outstanding common shares was reduced from 27,924,921 to 5,584,988;
- A name change from Arrowstar Resources Ltd. to "Adastra Labs Holdings Ltd." effective December 19, 2019;
- A non-brokered private placement pursuant to which the Company issued 10,000,000 common shares (post-Consolidation) at a price of \$0.05 per share to raise gross proceeds of \$500,000;
- A debt settlement with arm's length and non-arm's length creditors and pursuant to debt settlement agreements as a result of which the Company settled \$303,552 of debt for and in exchange of 6,071,046 (post-Consolidation) common shares of the Company at a deemed price of \$0.05 per share;
- A non-brokered private placement pursuant to which 5,892,455 units (post-Consolidation) of the Company (the "**Units**") at a price of \$0.45 per Unit were issued for aggregate gross proceeds of \$2,651,604. Each Unit is comprised of

one common share of the Company and one transferable common share purchase warrant, with each whole warrant exercisable to purchase one common share of the Company until December 19, 2022, at a price of \$0.60 per warrant share; and

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

The Company’s board of directors is now comprised of George Routhier, Andy Hale, Stephen Brohman and Blaine Bailey.

In connection with the Transaction, effective at the opening of trading on January 6, 2020, the Company’s common shares began trading on the Canadian Securities Exchange under the symbol “XTRX”.

Further details of the Transaction are set out in the Company’s material change report dated December 30, 2019, which was filed by the Company on SEDAR and is available on www.sedar.com.

Item 3 **Effective Date of the Transaction**

December 19, 2019

Item 4 **Name of Each Party, if any, that Ceased to be a Reporting Issuer after the Transaction and of each Continuing Entity**

Not applicable. Adastra is a private company and after the Transaction Adastra will remain a private company. The Company will continue to be a reporting issuer in British Columbia and Alberta.

Item 5 **Date of the Reporting Issuer's First Financial Year-End Subsequent to the Transaction**

December 31, 2019.

Item 6

Periods, Including Comparative Periods, if any, of the Interim and Annual Financial Statements Required to be Filed for the Reporting Issuer's First Financial Year Subsequent to the Transaction

The Company's interim and annual financial statements required to be filed for the first financial year subsequent to the transaction are for the three months ended March 31, 2020, the six months period ended June 30, 2020 and the nine months ended September 30, 2020.

The Company will file Annual Financial Statements for the year ended December 31, 2019 with applicable comparatives for the 8 months ended December 31, 2019 and 12 months ended April 30, 2019.

Item 7

Documents Filed under NI 51-102 that Described the Transaction and Where those Documents can be Found in Electronic Format

On November 4, 2019, the Company disseminated and filed on SEDAR a news release announcing the proposed Transaction and change of name.

On December 30, 2019 the Company issued a news release announcing the closing of the Transaction and name change. The Company also filed a material change report on December 30, 2019.

On January 3, 2020, the Company filed on SEDAR a Listing Statement dated December 30, 2019 in connection with the Transaction.

Date of Notice: April 2, 2020.