

**Form 62-103F1**  
**EARLY WARNING REPORT**

**Item 1 – Security and Reporting Issuer**

1.1 *State the designation of securities to which this report relates and the name and address of the Head office of the issuer of the securities.*

This report relates to common shares (the “**Common Shares**”) of Adastra Labs Holdings Ltd. (“**Adastra**” or the “**Company**”). Adastra’s head office is located at 2300 – 1177 West Hastings Street, Vancouver, BC V6E 2K3.

1.2 *State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.*

Not applicable.

**Item 2 – Identity of the Acquiror**

2.1 *State the name and address of the acquiror.*

Robert Foster (the “**Acquiror**”), located at 1901 San Marino Circle, Victoria, British Columbia V8X 3B3.

2.2 *State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.*

On December 19, 2020, the Company acquired all of the issued and outstanding securities (the “**Adastra Private Securities**”) of Adastra Labs Holdings (2019) Ltd. (“**Adastra Private**”) and completed concurrent financings (the “**Transaction**”). The Acquiror participated in concurrent financings and exchanged shares of Adastra Private in connection with the Transaction. In connection with the Transaction, the Acquiror was issued 16,833,333 Common Shares (the “**Acquired Shares**”), 1,333,333 share purchase warrants exercisable at a price of \$0.60 per share for a period expiring December 19, 2022 (the “**Acquired Warrants**”) and \$250,000 a convertible debentures (the “**Acquired Debentures**”) convertible to \$0.45 for a two year period. Each Debenture Unit will consist of one common share (a “**Debenture Share**”) and share purchase warrant (a “**Debenture Warrant**”), with each Debenture Warrant exercisable into one common share of the Company (a “**Debenture Warrant Share**”) at a price of \$0.75 common share for a period of two years from the date of issuance of the Debenture Warrants (collectively, the Acquired Shares, Acquired Warrants and Acquired Debentures the “**Acquired Securities**”).

2.3 *State the names of any joint actors.*

Not applicable.

**Item 3 – Interest in Securities of the Reporting Issuer**

3.1 *State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror’s security-holding percentage in the class of securities.*

On December 19, 2020, in connection with the Transaction, the Acquiror acquired an aggregated of 16,833,333 Acquired Shares, 1,333,333 **Acquired Warrants** and a \$250,000 **Acquired Debentures** representing a change in the Acquiror's direct and indirect holdings of approximately 15.53% of the issued and outstanding Common Shares on a non-diluted basis and a change of approximately 17.39% of the issued and outstanding Common Shares, assuming the exercise of all of the Acquired Warrants, Conversion of the Acquired Debentures and Debenture Warrants by the Acquiror. In addition, the Acquiror elected to exercise its convertible debentures and accrued interest on January 22, 2020 and January 28, 2020 (with respect to interest), resulting in the acquisition of 569,803 Debenture Units.

3.2 *State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.*

The Acquiror acquired beneficial ownership, or control or direction over the Acquired Securities.

3.3 *If the transaction involved a securities lending arrangement, state that fact.*

Not applicable.

3.4 *State the designation and number or principal amount of securities and the acquiror's Security-holding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.*

Before the Transaction the Acquiror had beneficial ownership of, or control or direction over no Common Shares representing 0.0% of the issued and outstanding common shares of the Company.

The Transaction, represented a change in the Acquiror's direct and indirect holdings by approximately 17.39%, increasing the Acquiror's position to 17.39% as of the date of the transaction. The exercise of Acquired Debentures and interest represented a change in the Acquiror's direct and indirect holdings by approximately 1.2%.

3.5 *State the designation and number or principal amount of securities and the acquiror's Security-holding percentage in the class of securities referred to in Item 3.4 over which*

(a) *the acquiror, either alone or together with any joint actors, has ownership and control,*

Common Shares	17,453,136	15.9%
Warrants	3,069,803	16.4%
Total	20,522,939	18.1%

(b) *the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and*

Not applicable.

(c) *the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.*

Not applicable.

3.6 *If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's security-holdings.*

Not applicable.

3.7 *If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.*

Not applicable.

*State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.*

Not applicable.

3.8 *If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.*

Not applicable.

#### **Item 4 – Consideration Paid**

4.1 *State the value, in Canadian dollars, of any consideration paid or received per security and in total.*

Security	Amount	Price Per Security /Exercise Price	Total consideration
Acquired Shares	9,300,000	\$0.05	\$599,999.85
	6,250,000	\$0.45	\$2,812,500
	1,333,333	\$0.45	\$465,000
Acquired Warrants	1,333,333	\$0.45	n/a
Debenture Shares	569,803	\$0.45	\$256,410.96
Debenture Warrants	569,803	\$0.75	n/a

4.2 *In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.*

Not applicable.

4.3 *If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.*

Not applicable.

## **Item 5 – Purpose of the Transaction**

*State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer.*

The Company issued the Acquired Securities in connection with the Transaction and Underlying Securities issued in connection with the Transaction were exercised.

*Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:*

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;*
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;*
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;*
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;*
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;*
- (f) a material change in the reporting issuer's business or corporate structure;*
- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;*
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;*
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;*
- (j) a solicitation of proxies from securityholders;*
- (k) an action similar to any of those enumerated above.*

While the Acquiror has no current plans or intentions that relate to or would result in the items listed in (a) through (k) above, the Acquiror may in the future take such actions in respect of his holdings in Adastra as he may deem appropriate in light of the circumstances then existing, including the purchase of additional Common Shares or other securities of Adastra through open market purchases or privately negotiated transactions or the sale of all or a portion of the Acquiror's holdings in the open market or in privately negotiated transactions to one or more purchasers, subject in each case to applicable securities laws.

## **Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer**

*Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.*

Not applicable.

**Item 7 – Change in material fact**

*If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer’s securities.*

Not applicable.

**Item 8 – Exemption**

*If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.*

Not applicable.

**Item 9 – Certification**

*The acquiror must certify that the information is true and complete in every respect. In the case of an agent, the certification is based on the agent’s best knowledge, information and belief but the acquiror is still responsible for ensuring that the information filed by the agent is true and complete.*

*This report must be signed by each person on whose behalf the report is filed or his authorized representative.*

*It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.*

**Certificate**

The undersigned, as the acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

“Robert Foster” (signed)

Signature: \_\_\_\_\_

Name: Robert Foster

Date: June 29, 2020