

Adastra Expands to Provide BHO while Inking Terms with Phyto Extractions as the Brand's Quarter on Quarter Revenue Doubles in Q3 2020



LANGLEY, BC / ACCESSWIRE / December 23, 2020 – Adastra Labs Holdings Ltd. (CSE: XTRX) (FRANKFURT: D2EP) (“Adastra”) a Health Canada Licensed cannabis processing and analytical testing services Company, is pleased to announce the signing of a term sheet for the acquisition of Phyto Extractions Brands (“Phyto Extractions”) and permitting of its hydrocarbon extraction expansion.

Further to its news release on October 7, 2020, Adastra has signed a term sheet with a BC-based company for the acquisition of the Phyto Extractions set of cannabis concentrates brands. The term sheet is non-binding and negotiation is currently underway for a definitive agreement for the acquisition of all of the assets of the private company.

Terms of the Agreement

The terms sheets sets the number of Adastra consideration shares to be paid for a 51% acquisition of a controlling interest in the BC-based company and provides a Right of First Refusal for the remaining 49% interest.

The Consideration Shares will be escrowed and released over 24 months. Definitive terms will be announced after completion of a Business Acquisition Agreement and are subject to any securities exchange approvals.

“These terms will be based on third party valuation of the Phyto Extractions brands and licensing agreement. We will complete the final definitive agreement over the coming weeks following a third party audit and final negotiation.” Stephen Brohman, CFO, Adastra.

Phyto Extractions Aggressive Growth Strategy

Phyto Extractions products have been available in the regulated Canadian cannabis market since December 2019 when they launched 4 SKUs. The brand has grown four-fold to offer 18 SKUs including 0.3 gram disposable vaporizers in four strains/flavours, 0.5 gram vaporizing cartridges in six strains/flavours with one kit, recently expanded to the 1.0 gram cartridge format in four strains/flavours, two strains of Live Resin and a unique High-Terpene Full Spectrum Extract (HTFSE) CO₂ terp sauce SKU.

Phyto Extraction products are currently sold in the provinces of BC, AB, MB, SK and ON.



Figure 1 – Phyto Extractions Line Up of Concentrate Products

“Phyto products have been showing outstanding sales growth quarter-on-quarter with an increase of 97% from Q2 to Q3 of 2020. Over 48,000 units of Phyto concentrates products were sold to the Provinces and retailers in October alone. With the Phyto Extractions’ team comes a dedicated and effective marketing group with representation in the major provincial markets in Canada. Their personal touch with the consumer has been the linchpin to the brands strong sales growth. We are excited to move forward with the Phyto Extractions brand and look forward to their new products and SKUs coming out early next year.”- Andy Hale, CEO Adastra.

Hydrocarbon Extraction Expansion Well-Underway

With the recent permitting by local authorities, Adastra is on track to complete facility upgrades in December to allow for the commissioning of its hydrocarbon extraction equipment recently received at the site. The ExtractionTek Solutions MeP XT70 system is rare in its Canadian certification. It can extract over 400 KG per day of cannabis biomass into a variety of hydrocarbon cannabis concentrate products with the ability to run Propane, Butane, and blended solvents to afford the extractor the ability to produce all of the varied cannabis concentrate products.

For example, this hydrocarbon extraction capacity could produce over 50 KG per day of high-THC shatter cannabis concentrate, which aligns synergistically with the acquisition of Phyto Extractions brands with strong brand identification within this cannabis concentrate category.



Figure 2 – ETS MeP XT70 Hydrocarbon Extractor at Adastra Facility

Cannabis 3.0 in Canada

The global cannabis concentrates market is expected to generate approximately \$13.78 billion USD by 2026, at a compound annual growth rate (CAGR) of around 17.8% between 2020 and 2026. Moreover, the rising pressure of the global medical community to incorporate full-spectrum extracts is expected to increase consumer demand. In 2019, full-spectrum, or whole-plant, extracts account for the largest revenue share in the global cannabis concentrates market and was valued at \$4.3 billion USD.

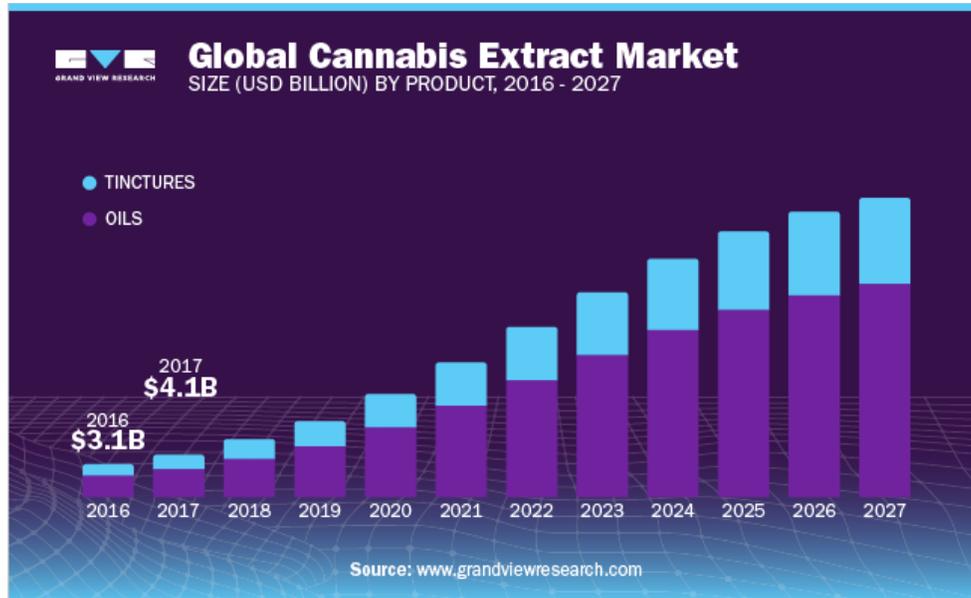


Figure 3 – Global Cannabis Extract Market Growth Projections

The North American cannabis concentrate market is expected to hold the largest share over the forecasted time period, due to concentrate demand in Canada and the US. The increasing awareness regarding the health benefits of cannabis is anticipated to further fuel the regions' cannabis concentrate market.

The regulated cannabis concentrates market in Canada is still in its early days. Adastra is one of the few standard processors with the institutional-knowledge and expertise, equipment and capacity to efficiently produce these cannabis extract products. Since the concentrates category is just over a year old in the Canadian regulated marketplace, we can look to more mature markets such as California and Colorado, where concentrates accounted for about 23% of all cannabis purchases. Cannabis Intelligence predicts that the extract and concentrate market will rise to account for 36% of all cannabis purchases by 2022.

Live resin and shatter are the two most exciting whole-plant concentrates to hit the Canadian regulated market. Adastra has been keenly focused on bringing these two product categories to market in early 2021. Adastra believes that shatter and live resin will be one of the fastest growing segments in the Canadian cannabis industry.

About Adastra Labs Holdings Ltd.

Adastra Labs Holdings Ltd. is a Langley, BC-based cannabis company with a co-located Health Canada Licensed Standard Processing Facility and Analytical Testing Laboratory. Adastra can produce cannabis extract through supercritical CO₂ and cryo-ethanol extraction and secondary distillation as well as conduct in-process quality testing Adastra is currently expanding to

provide hydrocarbon extraction. Such extracts can easily be incorporated into edibles, beverages, topicals, tinctures, vape cartridges and other products that will serve the Canadian medical and adult-use cannabis markets.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION:

Except for statements of historic fact, this news release contains certain “forward-looking information” within the meaning of applicable securities law including statements relating to Phyto Extraction brands sales, expansion into alternative production lines, commencement of certain operations, installation of equipment, expected product quality and margins, development of new product lines and delivery to the market. Forward-looking information is frequently characterized by words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate” and other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on the opinions and estimates at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking statements including, but not limited to delays or uncertainties with regulatory approvals, including that of the CSE and Health Canada, economic, business, competitive, political and social uncertainties, failure to commission equipment, unexpected contamination of products, saturation of the market for the Company’s current and proposed future product offerings, failure of third parties to deliver on expected timelines, overestimation of competencies of third parties, termination of commercial engagements, termination of expected supply agreements and loss of key personnel. There are uncertainties inherent in forward-looking information, including factors beyond the Company’s control. There are no assurances that the business plans for the Company as described in this news release will come into effect on the terms or time frame described herein. The Company undertakes no obligation to update forward-looking information if circumstances or management’s estimates or opinions should change except as required by law. The reader is cautioned not to place undue reliance on forward-looking statements. Additional information identifying risks and uncertainties that could affect financial

results is contained in the Company's filings with Canadian securities regulators, which are available at www.sedar.com.