

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

Phyto Extractions Inc. (the “**Company**”)
5451 – 275 Street
Langley, BC V4W 3X8

Item 2. Date of Material Change

August 10, 2021

Item 3. News Release

The news release was issued and disseminated via Accesswire on August 11, 2021 and filed on SEDAR at www.sedar.com.

Item 4. Summary of Material Change

The Company announced that it has entered into a share purchase agreement dated August 10, 2021 (the “**Share Purchase Agreement**”) pursuant to which the Company has agreed to acquire, indirectly through its wholly-owned subsidiary Adastra Labs Inc. (“**Adastra**”), all the issued and outstanding shares of 1225140 B.C. Ltd., doing business as PerceiveMD (“**PerceiveMD**”), from the shareholders (the “**Vendors**”) of PerceiveMD (the “**Acquisition**”).

Subject to the terms and conditions of the Share Purchase Agreement, on the closing date (the “**Closing Date**”) of the Acquisition, the Vendors will sell, assign, and transfer to Adastra, and Adastra will purchase from the Vendors, all of the issued and outstanding shares of PerceiveMD for a total purchase price of \$2,300,000 (the “**Purchase Price**”). The Share Purchase Agreement provides for the payment of the Purchase Price to the Vendors as follows: (i) \$10,000 by Adastra as a non-refundable deposit on the execution of the Share Purchase Agreement; and (ii) \$2,290,000 by way of the issuance by the Company, on behalf of Adastra, of that certain amount of unrestricted shares in the capital of the Company that, subject to the policies of the Canadian Securities Exchange, equals \$2,290,000 as calculated on the basis of the daily volume weighted average closing price for ten consecutive trading days immediately before the Closing Date.

Closing of the Acquisition is subject to, satisfactory due diligence of PerceiveMD by the Company and Adastra, and PerceiveMD having positive working capital and no long-term debt, in addition to other standard closing conditions.

The Acquisition is expected to constitute a “related party transaction” as defined within the meaning of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) as Michael Forbes, Chief Executive Officer and a director of the Company, is also a director and controlling shareholder of PerceiveMD. Payment of the Purchase Price by the issuance of the Company’s shares to Michael Forbes will be considered a “related party transaction” within the meaning of MI 61-101, but it is expected that such issuance will be exempt from the valuation requirement of MI 61-101 by virtue of the exemption contained in section 5.5(b) as the Company’s shares are not listed on a specified market and from the minority shareholder approval requirements of MI 61-101 by virtue of the exemption contained in section 5.7(a) of MI 61-101 in that the fair market value of the consideration of the Company’s shares issued to Michael Forbes will not exceed 25% of the Company’s market capitalization.

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

A full description of the material change is described in Item 4 above and in the attached News Release.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6. Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7. Omitted Information

None.

Item 8. Executive Officer

Michael Forbes, CEO and Director (Chairman)
Telephone: (778) 715-5011

Item 9. Date of Report

August 20, 2021



Phyto Extractions Inc. Announces Proposed Acquisition of PerceiveMD, a Multidisciplinary Centre for Medical Cannabis and Psychedelic Therapies

LANGLEY, BC / August 11, 2021 / Phyto Extractions Inc. (formerly, Adastra Labs Holdings Ltd.) (CSE: XTRX) (FRA: D2EP) (“**Phyto Extractions™**” or the “**Company**”) is pleased to announce that it has entered into a share purchase agreement dated August 10, 2021 (the “**Share Purchase Agreement**”) pursuant to which the Company has agreed to acquire, indirectly through its wholly-owned subsidiary Adastra Labs Inc. (“**Adastra**”), all the issued and outstanding shares of 1225140 B.C. Ltd., doing business as PerceiveMD (“**PerceiveMD**”), from the shareholders (the “**Vendors**”) of PerceiveMD (the “**Acquisition**”).

PerceiveMD was incorporated in 2019 and carries on the business of a multidisciplinary centre for medical cannabis and psychedelic therapies in British Columbia under the trade name of ‘PerceiveMD’. PerceiveMD offers a holistic, team-based approach to patient care. Its team of nurses, pharmacists, physicians, specialists, and educators work together to ensure that patients are appropriately assessed, informed, and prescribed treatment where appropriate, and monitored. PerceiveMD provides its therapeutic services through a virtual platform to a wide range of clinics across British Columbia and serves an estimated 4,500 patients.

Over the past 12 months, PerceiveMD has generated average unaudited revenues of approximately \$53,000 per month. In addition, as of the date of the Share Purchase Agreement, PerceiveMD had no material long-term debt and had positive working capital.

“Through acquiring PerceiveMD and its extensive team of industry experts, we will be able to build and develop new medical cannabis products through Phyto Extractions™ to service patients suffering from a variety of ailments,” shared Phyto Extractions™’s CEO, Michael Forbes. “This is an opportunity to work with one of British Columbia’s leading medical cannabis and forward-looking therapy clinics, allowing us to greatly enhance our product lineup based on rapid and direct patient feedback.”

Terms of the Acquisition

Subject to the terms and conditions of the Share Purchase Agreement, on the closing date (the “**Closing Date**”) of the Acquisition, the Vendors will sell, assign, and transfer to Adastra, and Adastra will purchase from the Vendors, all of the issued and outstanding shares of PerceiveMD for a total purchase price of \$2,300,000 (the “**Purchase Price**”). The Share Purchase Agreement provides for the payment of the Purchase Price to the Vendors as follows: (i) \$10,000 by Adastra as a non-refundable deposit on the execution of the Share Purchase Agreement; and (ii) \$2,290,000 by way of the issuance by Phyto Extractions™, on behalf of Adastra, of that certain amount of unrestricted shares in the capital of Phyto Extractions™ that, subject to the policies of the Canadian Securities Exchange, equals \$2,290,000 as

calculated on the basis of the daily volume weighted average closing price for ten consecutive trading days immediately before the Closing Date.

Closing of the Acquisition is subject to, satisfactory due diligence of PerceiveMD by the Company and Adastra, and PerceiveMD having positive working capital and no long-term debt, in addition to other standard closing conditions.

The Acquisition is expected to constitute a “related party transaction” as defined within the meaning of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”) as Michael Forbes, Chief Executive Officer and a director of Phyto Extractions™, is also a director and controlling shareholder of PerceiveMD. Payment of the Purchase Price by the issuance of the Company’s shares to Michael Forbes will be considered a “related party transaction” within the meaning of MI 61-101, but it is expected that such issuance will be exempt from the valuation requirement of MI 61-101 by virtue of the exemption contained in section 5.5(b) as the Company’s shares are not listed on a specified market and from the minority shareholder approval requirements of MI 61-101 by virtue of the exemption contained in section 5.7(a) of MI 61-101 in that the fair market value of the consideration of the Company’s shares issued to Michael Forbes will not exceed 25% of the Company’s market capitalization.

About Phyto Extractions™ and Adastra Labs Inc.

Founded in 2014, Phyto Extractions™ built a successful reputation as a house-hold name in cannabis concentrates, among consumers and retailers alike. Adastra Labs Inc. was founded in 2018 and is an award-winning agricultural-scale cannabis extraction, distillation, and product manufacturer, located in Langley, BC. Operating out of its 13,000 sq. ft. Health Canada Licensed Standard Processing facility, now named Phyto Extractions Inc., the Company produces and distributes cannabis-derived products, designed for medical cannabis and forward-looking therapeutic use. As a leading supplier, Phyto Extractions™ currently distributes its product-line to 1400+ adult-use retailers and a web-based medical platform, CannMart Inc., across the country seeking to provide consistent, quality concentrate products and alternative treatment options to patients.

Connect with Phyto: [Email](#) | [Website](#) | [Instagram](#)

About PerceiveMD

PerceiveMD is revolutionizing modern medicine by creating the first of its kind, research-based, multidisciplinary center for medical cannabis and other forward-thinking therapies such as psychedelics. They offer a holistic, team-based approach that focuses on you as the patient. Their team of nurses, pharmacists, physicians, specialists, and educators will all work together to ensure that you are properly assessed, informed and prescribed if appropriate while monitoring your progress and potential side effects throughout your wellness journey.

Learn more: <https://www.perceivemd.ca>

Contact:

Michael Forbes, CEO & Director (Chairman)

Phone: 778-715-5011

Email: michael@phytoextractions.ca

Forward-Looking Information

This news release contains forward-looking information within the meaning of Canadian securities legislation, concerning the business of the Company. Forward-looking information is based on certain key expectations and assumptions made by the management of the Company. Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct. Forward-looking information in this news release includes statements with respect to the terms and conditions of the Acquisition; the availability of the exemptions from the valuation and minority shareholder approval requirements contained in MI 61-101; the closing of the Acquisition; the ability of the Company to build and develop new medical cannabis products and enhance its product lineup through the Acquisition; and the ability of PerceiveMD's health care practitioners to continue to ensure that patients are properly assessed, informed, and prescribed treatment while monitoring progress and any side effects. There are numerous risks and uncertainties that could cause actual results and the Company's plans and objectives to differ materially from those expressed in the forward-looking information. Important factors that could cause actual results to differ materially from those expressed in the forward-looking information include that the parties may not satisfy the conditions to closing of the Acquisition; adverse market conditions; and other factors beyond the control of the Company. These and all subsequent written and oral forward-looking information are based on estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice. Except as required by law, the Company does not intend to update these forward-looking statements.

All financial information regarding PerceiveMD has been provided by PerceiveMD and has not been independently verified by the Company as of the date hereof.

The Canadian Securities Exchange has not reviewed or approved the contents of this news release.