

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

Adastra Holdings Ltd. (formerly, Phyto Extractions Inc.) (the "**Company**")
5451 – 275 Street
Langley, BC V4W 3X8

Item 2. Date of Material Change

August 31, 2021

Item 3. News Release

The news release was issued and disseminated via Cision on August 31, 2021 and filed on SEDAR at www.sedar.com.

Item 4. Summary of Material Change

The Company announced that, further to its news release dated August 11, 2021, that it has acquired, indirectly through its wholly-owned subsidiary Adastra Labs Inc. ("**Adastra**") all of the issued and outstanding shares in the capital of 1225140 B.C. Ltd., doing business as PerceiveMD ("**PerceiveMD**"), from the shareholders (each, a "**Vendor**") of PerceiveMD (the "**Acquisition**"), pursuant to the terms of a share purchase agreement dated August 10, 2021 (the "**Share Purchase Agreement**").

As consideration for the Acquisition, the Company paid to the Vendors, on a pro rata basis, an aggregate purchase price of \$2,300,000 (the "**Purchase Price**") consisting of: (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 2,513,720 unrestricted common shares in the capital of the Company (each, a "**Common Share**").

Payment of the Purchase Price by the issuance of Common Shares to a Vendor who is a director and executive officer of the Company constitutes a "related party transaction" within the meaning of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), but such issuance is exempt from the valuation requirement of MI 61-101 by virtue of the exemption contained in section 5.5(b) as the Common Shares are not listed on a specified market and from the minority shareholder approval requirement of MI 61-101 by virtue of the exemption contained in section 5.7(1)(a) of MI 61-101 in that the fair market value of the consideration of the Common Shares issued to the director and executive officer of the Company did 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 Company's news release disseminated on August 31, 2021.

Disclosure Require by MI 61-101

The Acquisition constitutes a "related party transaction" within the meaning of MI 61–101, which is described below in item 5.1(d)(i). The following supplementary information is provided in accordance with Section 5.2 of MI 61-101.

(a) a description of the transaction and its material terms:

See item 4 above for a description of the Acquisition.

(b) the purpose and business reasons for the transaction:

PerceiveMD was incorporated in 2019 and carries on the business of a multidisciplinary centre for medical cannabis and psychedelic therapies in British Columbia. PerceiveMD offers a team-based approach to patient care. Its team of nurses, pharmacists, physicians, specialists, and educators work together to assess, inform, prescribe treatment for, and monitor patients. 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.

The board of directors of the Company (the “**Board**”) believes that the Acquisition will enable the Company to enhance its product lineup and advance the Company’s development in the field of cannabis therapies and patient care.

(c) the anticipated effect of the transaction on the issuer’s business and affairs:

See item 5.1(b) above.

(d) a description of:

(i) the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties:

Michael Forbes, Chief Executive Officer and a director of Company, is also a director of PerceiveMD, and MDC Forbes Inc. (“**MDC Forbes**”), a private company owned by Michael Forbes, was one of the Vendors and was issued 1,256,860 Common Shares at a price of \$0.911 per Common Share.

(ii) the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:

The following table sets out the effect of the Acquisition on the percentage of securities of the Company beneficially owned or controlled by Michael Forbes.

Name and Position	Dollar Amount of Common Shares Issued	Number of Common Shares Issued	Number of Securities Held prior to Closing of the Acquisition	Percentage of Issued and Outstanding Securities prior to Closing of the Acquisition	Number of Securities Held After Closing of the Acquisition	Percentage of Issued and Outstanding Securities After Closing of the Acquisition
Michael Forbes, Chief Executive Officer and Director	\$1,144,999	1,256,860 Common Shares	Undiluted and Diluted: 8,666 Common Shares ⁽¹⁾	Undiluted and Diluted: 0.02% ⁽²⁾	Undiluted and Diluted: 1,265,526 Common Shares ⁽³⁾	Undiluted and Diluted: 2.76% ⁽⁴⁾

Notes:

(1) These Common Shares are held by MDC Forbes.

(2) Based on 43,334,100 Common Shares outstanding prior to the completion of the Acquisition.

(3) These Common Shares are held by MDC Forbes.

(4) Based on 45,847,820 Common Shares outstanding after the completion of the Acquisition.

- (e) *unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:*

The Acquisition was reviewed and approved by the Board, with Michael Forbes providing notice and disclosure to the Board with respect to his interest in the Acquisition, and abstaining from voting in part on the Board approval of the Acquisition. A special committee was not established in connection with the approval of the Acquisition, and no materially contrary view or abstention was expressed or made by any director.

- (f) *a summary in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:*

Not applicable.

- (g) *disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the issuer that related to the subject matter of or is otherwise relevant to the transaction:*

- (i) *that has been made in the 24 months before the date of the material change report:*

Not applicable.

- (ii) *the existence of which is known, after reasonable enquiry, to the issuer or to any director or officer of the issuer:*

Not applicable.

- (h) *the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction:*

The Company entered into the Share Purchase Agreement with Adastra and the Vendors, including MDC Forbes, a company owned by Michael Forbes. See item 4 above for a full description of the material change and item 5.1(d)(i) above for a description of the securities issued to MDC Forbes.

- (i) *disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions:*

The Acquisition constitutes a "related party transaction" within the meaning of MI 61-101 but is exempt from the valuation requirement of MI 61-101 by virtue of the exemption contained in section 5.5(b) as the Common Shares are not listed on a specified market and from the minority shareholder approval requirement of MI 61-101 by virtue of the exemption contained in section 5.7(1)(a) of MI 61-101 in that the fair market value of the consideration of the Common Shares issued to the related party did not exceed 25% of the Company's market capitalization.

The Company did not file a material change report 21 days prior to closing of the Acquisition as the Company was not aware of all details of the insider participation until just before closing and the Company wished to close the Acquisition as soon as practicable for sound business reasons.

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

September 9, 2021