



Adastra Announces Supply & Purchase Agreement with Sitka Weed Works

Adds High-Quality Craft Flowers, Including Unique Genetics Previously Unavailable in Canada, to Adastra Portfolio



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LANGLEY, BC, Oct. 8, 2021 /CNW/ - Adastra Holdings Ltd. (CSE: XTRX) (FRA: D2EP) ("Adastra" or the "Company") today announced it has signed a definitive agreement with Sitka Weed Works Inc. ("Sitka") regarding the supply of premium craft cannabis grown by Sitka.

Sitka is a cultivator and operator of craft cannabis flower in Sooke, British Columbia, including new strains grown from unique genetics. Sitka is Canada's largest micro park with 51 micros specializing in quad craft cannabis which, according to internal testing, recently achieved one of the highest THC percentages at 34%. Sitka is positioned to maximize the market opportunity in B.C. by creating exciting new products for domestic and global cannabis markets, featuring veteran growers and a vast genetics portfolio.

"Adastra is committed to building a portfolio of cannabis products consisting of the highly cultivated and curated strains available in the market, giving consumers access to unique experiences and promoting the exceptional market and talent in Western Canada," said Donald Dinsmore, Chief Operating Officer at Adastra. "Our partnership with Sitka assures the supply of high-quality biomass, enabling us to manufacture and sell premium strain-specific cartridges derived from Sitka Cannabis. The business arrangement is more than a supply agreement; it represents an important step as Adastra seeks to build upon the already popular Phyto Extractions brand, which we now own outright. Strong partnerships with organizations like Sitka are key to delivering on our innovation strategy for premium products, which are highly sought after by Canadian consumers. In Sitka's case, its unique micro-cultivation park is home to some of British Columbia's best legacy growers' crops, which aligns well with the Company's in-house brand Phyto Extractions' institutional knowledge of the industry and product landscape.

Under this arrangement, Sitka has agreed to provide cannabis to Adastra, and Adastra has agreed to package, excise, and sell finished goods directly to provincial wholesalers. The Company expects initial shipments in the following months.

"Adastra is increasingly recognized as an emerging leader in premium cannabis distribution and commercialization, and we expect our relationship with them to help us grow our presence in this expanding market," commented Stuart Leith, Facility Manager of Sitka.

The definitive agreement with Sitka is 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 Sitka. Product payments from the Company to Sitka under the agreement will be considered a "related party transaction" within the meaning of MI 61-101, but it is expected that such payments 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 product payments to be paid to Sitka are not anticipated to exceed 25% of the Company's market capitalization.

About Adastra Holdings Ltd.

Founded in 2018 and formerly known as Phyto Extractions Inc., Adastra is a leading manufacturer and supplier of innovative ethnobotanical and cannabis science products designed for the adult-use and medical markets and forward-looking therapeutic applications. Adastra is renowned throughout Canada for its popular line of Phyto Extractions branded cannabis concentrate products available on shelves at over 1,400 adult-use retailers across the country. The Company also operates Adastra Labs, a 13,500 sq. ft. agricultural-scale Health Canada licensed facility located in Langley, BC.,

focused on extraction, distillation, and manufacturing of cannabis-derived products. Adastra has now successfully taken the first steps in becoming a licensed cultivator, tester, extractor, and seller of controlled substances, including Psilocybin, Psilocin, MDMA, N, N-Dimethyltryptamine (DMT), 5-MeO-DMT, and LSD by applying for a Controlled Substances Dealer's Licence, which is under review by Health Canada. Pending Health Canada approval, Adastra is poised to be a drug formulation and development leader in this emerging sector. In addition, with the recent acquisition of 1225140 B.C. Ltd., doing business as PerceiveMD, Adastra operates a multidisciplinary centre for medical cannabis and psychedelic therapies, working alongside doctors and healthcare professionals within the regulated environment to help create efficacious remedies that address the actual needs of patients.

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ON BEHALF OF THE BOARD
ADASTRA HOLDINGS LTD. (CSE: XTRX)


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 plans of building a portfolio of cannabis products consisting of the highest quality strains available in the market; and that the Company expects initial shipments from Sitka in the next few months. 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 changes in regulations or licensing affecting the Company's business; reduced demand for cannabis and cannabis related products; reductions in the Company's retail space and store locations; 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.

Financial and business information regarding Sitka has been provided by Sitka 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.

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