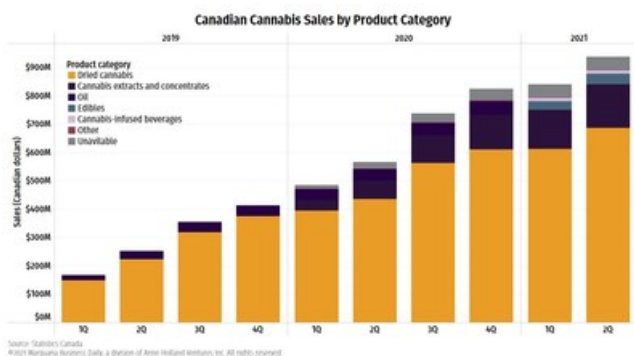


Adastra Holdings Receives Flower Sales License from Health Canada



”). The Flower Sales License will allow Adastra Labs to sell dried cannabis flower products provincially and territorially in Canada through authorized distributors and retailers. (CNW Group/Adastra Holdings Ltd.)



Canadians bought CA\$1.3 billion of dried cannabis in first half of 2021. Source: <https://mjbizdaily.com/canadians-bought-ca-1-3-billion-of-dried-cannabis-in-first-half-of-2021/> (CNW Group/Adastra Holdings Ltd.)

LANGLEY, BC, Dec. 20, 2021 /CNW/ - Adastra Holdings Ltd. (CSE: XTRX) (FRA: D2EP) ("Adastra" or the "Company") today announced that the Company's wholly-owned subsidiary Adastra Labs Inc. ("Adastra Labs") has received its flower sales license amendment from Health Canada effective December 17, 2021 (the "Flower Sales License"). The Flower Sales License will allow Adastra Labs to sell dried cannabis flower products provincially and territorially in Canada through authorized distributors and retailers.

"Receiving our flower sales license is a significant milestone and provides Adastra with an additional pathway to pursue higher-margin revenue growth within the Canadian cannabis market," said Donald Dinsmore, COO & Director. "With the ability to be a direct supplier, we are now even better positioned to leverage the strong awareness and existing shelf space of our popular Phyto Extractions brand, as well as our national inside sales force, by offering an expanded portfolio of other products targeted at the cost-conscious and the premium craft consumers that will include pre-rolls and dried flower offerings."

Dried cannabis flower is in high demand from provincial distributors and medical clients. According to Statistics Canada, dried flower sales accounted for nearly three-quarters of legal recreational cannabis sales in the first half of 2021, worth over \$1.3 billion in sales.¹

Michael Forbes, Chief Executive Officer of Adastra, commented, "Adastra is in a great position to maximize profits through the continued reduction in biomass costs and the little need for capital

expenditure. I am particularly excited about the upcoming launch of infused pre-rolls, as they are the fastest-growing segment in the flower category. With national shelf space to leverage, the facility, and the team to execute, these new flower SKUs will propel Adastra into record sales and profitability."

¹ MJBizDaily, October 20, 2021 ([article](#))

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-Meow-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.

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 obtaining a Controlled Drugs and Substances Dealer's License from Health Canada, and on the anticipated timeline thereof; statements regarding anticipated new products, the adoption thereof, and the timelines set out herein; and the intention to hire additional shifts to meet consumer demand. 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 the availability of a qualified workforce; 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.

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

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