

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1. Name and Address of Company

Adastra Holdings Ltd. (the “Company”)
5451 – 275 Street
Langley, BC V4W 3X8

Item 2. Date of Material Change

August 31, 2022

Item 3. News Release

The news release was issued and disseminated via Cision on August 31, 2022 and filed on SEDAR at www.sedar.com.

Item 4. Summary of Material Change

The Company announced that it has received its Controlled Drug and Substances Dealer’s License (“Dealer’s License”). This license allows Adastra to process psilocybin and psilocin, the active compounds derived from psychedelic mushrooms.

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

Under the Dealer’s License, the Company can possess up to 1,000 grams of psilocybin and psilocin at any time and can transfer the extracted material to other companies who hold a valid Dealer’s License. The Company intends to utilize its in-house analytical testing lab, Chemia Analytics, to validate and develop its extraction processes, to optimize and enhance efficiency ahead of any future potential regulatory modifications to the existing psychedelics framework. As the market matures to include regulations for other compounds, such as MDMA, LSD, 5-MeO-DMT and Ketamine, the Company plans to include these substances in future Dealer’s License amendments, positioning itself to capitalize on clinic and patient demand. When approved, the Company will be permitted to process and formulate a variety of psychedelic molecules, increasingly used and sought-after by patients and healthcare practitioners to combat a variety of physical and mental ailments.

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, Corporate Secretary and Director
Telephone: (778) 715-5011

Item 9. Date of Report

September 6, 2022