

ADASTRA HOLDINGS LTD.
(the “Company”)

STATEMENT OF EXECUTIVE COMPENSATION

Form 51-102F6V

Statement of Executive Compensation – Venture Issuers

General

For the purpose of this Statement of Executive Compensation:

“**Company**” means Adastra Holdings Ltd.;

“**compensation securities**” includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the Company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the Company or any of its subsidiaries;

“**Common Shares**” means common shares in the capital of the Company;

“**named executive officer**” or “**NEO**” means each of the following individuals:

- (a) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief executive officer (“**CEO**”), including an individual performing functions similar to a CEO;
- (b) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief financial officer (“**CFO**”), including an individual performing functions similar to a CFO;
- (c) in respect of the Company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000 for that financial year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was not an executive officer of the Company, and was not acting in a similar capacity, at the end of that financial year;

“**plan**” includes any plan, contract, authorization or arrangement, whether or not set out in any formal document, where cash, compensation securities or any other property may be received, whether for one or more persons; and

“**underlying securities**” means any securities issuable on conversion, exchange or exercise of compensation securities.

Notice Regarding Share Consolidation

Effective at the open of the Canadian Securities Exchange (“**CSE**”) on April 9, 2021, the outstanding Common Shares were consolidated on the basis of three (3) pre-consolidation Common Shares for each one (1) post-consolidation Common Share (the “**Consolidation**”). All numbers with respect to Common Shares and securities convertible into Common Shares and stock prices in this Statement of Executive Compensation are presented on a post-Consolidation basis.

Director and NEO Compensation, Excluding Compensation Securities

The following table sets forth all compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Company or any subsidiary thereof to each NEO and each director of the Company, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or director for services provided and for services to be provided, directly or indirectly, to the Company or any subsidiary thereof for each of the two most recently completed financial years, other than stock options and other compensation securities:

Table of Compensation Excluding Compensation Securities							
Name and Position	Year ⁽¹⁾	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites ⁽²⁾ (\$)	Value of all other Compensation (\$)	Total Compensation (\$)
Michael Forbes ⁽³⁾ CEO, Corporate Secretary and Director	2022	120,000	Nil	Nil	Nil	7,350	127,350
	2021	40,000	Nil	Nil	Nil	Nil	40,000
Lachlan McLeod ⁽⁴⁾ CFO	2022	Nil	Nil	Nil	Nil	Nil	Nil
	2021	N/A	N/A	N/A	N/A	N/A	N/A
John Smoke Wallin ⁽⁵⁾ Director	2022	Nil	Nil	Nil	Nil	Nil	Nil
	2021	N/A	N/A	N/A	N/A	N/A	N/A
Paul G. Morgan ⁽⁶⁾ Director	2022	Nil	Nil	Nil	Nil	Nil	Nil
	2021	Nil	Nil	Nil	Nil	Nil	Nil
Andrew Hale ⁽⁷⁾ Former CEO, President and Director	2022	N/A	N/A	N/A	N/A	N/A	N/A
	2021	134,666	Nil	Nil	Nil	Nil	134,666
James Scott Munro ⁽⁸⁾ Former President, Interim CEO Director	2022	N/A	N/A	N/A	N/A	N/A	N/A
	2021	Nil	Nil	Nil	Nil	Nil	Nil
Oliver Foeste ⁽⁹⁾ Former CFO	2022	286,539 ⁽¹⁰⁾	Nil	Nil	Nil	Nil	286,539
	2021	74,518 ⁽¹⁰⁾	Nil	Nil	Nil	Nil	74,518
Stephen Brohman ⁽¹¹⁾ Former CFO, Corporate Secretary and Director	2022	N/A	N/A	N/A	N/A	N/A	N/A
	2021	61,091	Nil	Nil	Nil	Nil	61,091
Blaine Bailey ⁽¹²⁾ Former CFO and Director	2022	N/A	N/A	N/A	N/A	N/A	N/A
	2021	N/A	N/A	N/A	N/A	N/A	N/A

Table of Compensation Excluding Compensation Securities							
Name and Position	Year ⁽¹⁾	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites ⁽²⁾ (\$)	Value of all other Compensation (\$)	Total Compensation (\$)
Donald Reed Dinsmore ⁽¹³⁾ Former COO, Corporate Secretary and Director	2022	102,705	Nil	Nil	Nil	Nil	102,705
	2021	122,535	50,000	Nil	Nil	Nil	172,535
George Routhier ⁽¹⁴⁾ Former Director	2022	2,000	Nil	Nil	Nil	Nil	2,000
	2021	Nil	Nil	Nil	Nil	Nil	Nil

(1) For the year ended December 31.

(2) "Perquisites" include perquisites provided to an NEO or director that are not generally available to all employees and that, in aggregate, are: (a) \$15,000, if the NEO or director's total salary for the financial year is \$150,000 or less, (b) 10% of the NEO or director's salary for the financial year if the NEO or director's total salary for the financial year is greater than \$150,000 but less than \$500,000, or (c) \$50,000 if the NEO or director's total salary for the financial year is \$500,000 or greater.

(3) Michael Forbes was appointed as a director of the Company on April 29, 2021, CEO on May 3, 2021 and Corporate Secretary on March 24, 2022. Mr. Forbes is the owner of MDC Forbes Inc. which charged the Company \$120,000 in consulting fees during the year ended December 31, 2022. During the year ended December 31, 2022, MDC Forbes Inc. also charged the Company rent of \$7,350.

(4) Lachlan McLeod was appointed CFO of the Company on January 1, 2023.

(5) John Smoke Wallin was appointed as a director of the Company on May 14, 2022.

(6) Paul Morgan was appointed as a director of the Company on July 13, 2021.

(7) Andrew Hale was appointed CEO, President and a director of the Company on December 19, 2019. Mr. Hale resigned from all positions with the Company on February 26, 2021.

(8) James Scott Munro was appointed as a director of the Company on February 26, 2021 and President and Interim CEO on March 1, 2021. Mr. Munro resigned from all positions with the Company on April 29, 2021.

(9) Oliver Foeste was appointed CFO of the Company on July 13, 2021. Mr. Foeste was CFO of the Company until January 1, 2023.

(10) The Company was charged by Invictus Accounting Group LLP, a company controlled by Mr. Foeste, for accounting, tax and financial reporting related services in addition to the CFO services, in the amount of \$286,539 in 2022 and \$74,518 in 2021.

(11) Stephen Brohman was appointed as a director of the Company on September 2, 2014 and CFO and Corporate Secretary on December 19, 2019. Mr. Brohman resigned from all positions with the Company on July 13, 2021.

(12) Blaine Baily was appointed CFO on June 21, 2005, Secretary on April 5, 2007 and a director of the Company on February 3, 2014. Mr. Bailey resigned as Secretary on August 20, 2007, CFO on December 19, 2019 and as a director of the Company on March 26, 2021.

(13) Donald Reed Dinsmore was appointed as a director of the Company on April 29, 2021 and COO and Corporate Secretary on May 3, 2021. Mr. Dinsmore resigned from all positions with the Company on March 24, 2022.

(14) George Routhier was appointed as a director of the Company on December 19, 2019 and did not stand for re-election on June 23, 2022.

External Management Companies

The Company has not engaged the services of an external management company to provide executive management services to the Company, directly or indirectly.

Stock Options and Other Compensation Securities

The following table sets out all compensation securities granted or issued to each director and NEO by the Company or any subsidiary thereof in the year ended December 31, 2022 for services provided, or to be provided, directly or indirectly, to the Company or any subsidiary thereof:

Compensation Securities							
Name and Position	Type of Compensation Security	Number of Compensation Securities/Number of Underlying Securities /Percentage of Class	Date of Issue or Grant	Issue, Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant	Closing Price of Security or Underlying Security at Year End	Expiry Date
Michael Forbes CEO, Corporate Secretary and Director	Stock Options	300,000 / 300,000 / 8.19%	October 25, 2021	\$1.00	\$1.07	\$0.25	October 25, 2026
Lachlan McLeod CFO	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
John Smoke Wallin Director	Stock Options	300,000 / 300,000 / 8.19%	August 19, 2022	\$0.75	\$0.63	\$0.25	August 19, 2027
Paul G. Morgan Director	Stock Options	300,000 / 300,000 / 8.19%	October 25, 2021	\$1.06	\$1.07	\$0.25	October 25, 2026
Andrew Hale Former CEO, President and Director	Stock Options	666,667 / 666,667 / 18.19%	January 30, 2020	\$1.35	\$0.45	\$0.25	January 30, 2025
	Stock Options	33,333 / 33,333 / 0.91%	August 4, 2021	\$1.35	\$0.86	\$0.25	August 4, 2026
James Scott Munro Former President, Interim CEO Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Oliver Foeste Former CFO	Stock Options	300,000 / 300,000 / 8.19%	October 25, 2021	\$1.06	\$1.07	\$0.25	October 25, 2026
Stephen Brohman Former CFO, Corporate Secretary and Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Blaine Bailey Former CFO and Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Donald Reed Dinsmore Former COO, Corporate Secretary and Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
George Routhier Former Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A

As at December 31, 2022:

- (a) Michael Forbes, Corporate Secretary, CEO and a director of the Company, owned an aggregate of 300,000 compensation securities, comprised solely of stock options, each of which is exercisable into one Common Share at a price of \$1.06 per Common Share until October 25, 2026;
- (b) Lachlan McLeod, the CFO of the Company, did not own any compensation securities;
- (c) John Smoke Wallin, a director of the Company, owned an aggregate of 300,000 compensation securities, comprised solely of stock options, each of which is exercisable into one Common Share at a price of \$0.75 per Common Share until August 19, 2027;
- (d) Paul Morgan, a director of the Company, owned an aggregate of 300,000 compensation securities, comprised solely of stock options, each of which is exercisable into one Common Share at a price of \$1.06 per Common Share until October 25, 2026;
- (e) Andrew Hale, the former CEO, President and a director of the Company, owned an aggregate of 700,000 compensation securities, comprised solely of stock options, 666,667 of which are exercisable into one Common Share at a price of \$1.35 per Common Share until January 30, 2025 and 33,333 of which are exercisable into one Common Share at a price of \$1.35 per Common Share until August 4, 2026;
- (f) James Scott Munro, the former President, interim CEO and a director of the Company, did not own any compensation securities;
- (g) Oliver Foeste, the former CFO of the Company, owned an aggregate of 300,000 compensation securities, comprised solely of stock options, each of which is exercisable into one Common Share at a price of \$1.06 per Common Share until October 25, 2026;
- (h) Stephen Brohman, the former Corporate Secretary, CFO and a director of the Company, did not own any compensation securities;
- (i) Blaine Bailey, the former CFO and a director of the Company, did not own any compensation securities;
- (j) Donald Dinsmore, the former COO, Corporate Secretary and a director of the Company, did not own any compensation securities; and
- (k) George Routhier, a former director of the Company, did not own any compensation securities.

Exercise of Compensation Securities by Directors and NEOs

No compensation securities were exercised by a NEO or director of the Company during the year ended December 31, 2022.

Stock Option Plans and Other Incentive Plans

The board of directors of the Company (the “**Board**”) adopted the Company’s current incentive stock option plan (the “**Stock Option Plan**”) on January 30, 2020, whereby it can grant stock options to directors, officers, employees and consultants of the Company. Unless authorized by the shareholders of the Company in accordance with applicable securities laws, the number of Common Shares that may be reserved for issuance under the Stock Option Plan, together with all of the Company’s other compensation or incentive mechanisms involving the issuance or potential issuance of Common Shares, shall not exceed ten percent (10%) of the total number of issued Common Shares of the Company (calculated on an undiluted basis) at the time a stock option is granted.

As at December 31, 2022, the Company had 3,665,000 stock options outstanding. Stock options may be granted under the Stock Option Plan to such directors, officers, employees, or consultants of the Company and its affiliates, if any, as the Board may from time to time designate. The exercise price of options will be determined by the Board, but such price will not be less than the minimum prevailing price permitted by the CSE. All options granted under the Stock Option Plan will expire not later than the maximum period as determined by the applicable securities laws and the policies of the CSE. Vested stock options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; (iii) one year from the date of disability; or (iv) one year from the date of death. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

The Company does not have any other incentive plans other than its Stock Option Plan.

Employment, Consulting and Management Agreements

Other than disclosed below, the Company has not entered into written employment or consulting agreements with any of its executive officers.

The Company entered into a consulting agreement with MDC Forbes Inc, a company owned by Michael Forbes, effective May 10, 2021 (the "**Forbes Agreement**"). Under the terms of the Forbes Agreement, Mr. Forbes agreed to provide consulting services and act as CEO of the Company in consideration for a grant by the Company of an option to purchase 300,000 Common Shares at an exercise price of \$1.00 per Common Share, with said option to be fully exercisable on the effective date until October 25, 2026. The Forbes Agreement may be terminated at any time by (a) Mr. Forbes, giving the Company at least twenty (20) business days' written notice; (b) the Company, (i) for any reason, by giving Mr. Forbes at least twenty (20) business days' written notice or pay in lieu, or (ii) without notice, if Mr. Forbes is in breach of any material terms of the Forbes Agreement, demonstrates a continued inability to perform the services and/or obligations of the Forbes Agreement to the satisfaction of the Company, continually misses deadlines for deliverables, or engages in any conduct which is dishonest, damages the reputation of the Company.

The Company entered into a consulting agreement with Andrew Hale, effective May 26, 2021, revised as of September 9, 2021 (the "**Hale Agreement**"). Under the terms of the Hale Agreement, Mr. Hale agreed to provide corporate advisory services to the Company in consideration for a grant by the Company of an option to purchase 700,000 Common Shares at an exercise price of \$1.30 per Common Share, with 666,667 options to be fully exercisable on the effective date until January 30, 2025 and 33,333 options to be fully exercisable on the effective date until August 4, 2026. The Company has the right to terminate the Hale Agreement at its sole discretion at any time without notice to Mr. Hale.

On February 26, 2021, the Hale Agreement was terminated and Mr. Haled resigned as President, CEO and a director of the Company.

The Company entered into a consulting agreement with Invictus Accounting Group LLP dated June 25, 2021 (the "**Foeste Agreement**"), whereby Oliver Foeste, the Managing Partner of Invictus Accounting Group LLP, agreed to provide consulting services and act as CFO of the Company in consideration for a grant by the Company of an option to purchase 300,000 Common Shares at an exercise price of \$1.06 per Common Share, with said option to be fully exercisable on the effective date until October 25, 2026. Pursuant to the Foeste Agreement, the Company is required to put in place reasonable change in control, termination provisions relative to change in control, and termination provisions for other executives, noting that change in control or termination provision have not been put in place as of the date of this Information Circular. The Foeste Agreement was terminated effective January 1, 2023.

After December 31, 2022, the Company entered into a consulting agreement (the "**Fehr Agreement**") with A. Fehr & Associates Ltd. ("**F&A**"), whereby Lachlan McLeod, an employee of F&A, became CFO of the Company. Per the Fehr Agreement, Lachlan was to provide a minimum of 32 hours per month for \$6,500 and any time in excess for \$130 per hour. After 12 months of service, F&A would be entitled to a termination fee in addition to a change in

control benefit, each fee is equal to 6 months of the averaged billings over the prior 24 months. Subsequently, the Company paid a placement fee of \$52,500 to F&A to employ Lachlan McLeod directly and terminated the Fehr Agreement.

After December 31, 2022, the Company entered into an employment agreement with Lachlan McLeod (the “**McLeod Agreement**”) for a salary of \$133,750, which will increase to \$160,000 on June 1, 2024. Under the McLeod Agreement, Mr. McLeod is entitled to severance of 9 weeks within the first 3 years of employment, plus an additional 3 weeks with each subsequent year completed, to a maximum of 6 months’ severance. After 12 months of service, Mr. McLeod is entitled to a change in control benefit of 3 months’ salary. Mr. McLeod is also entitled to stock options on terms that are at least as favorable as other executives of the Company.

Termination and Change of Control Benefits

At December 31, 2022, except for the terms outlined above, there were no contract, agreement, plan or arrangement between the Company and its NEOs that provides for payments to NEOs at, following, or in connection with any termination (whether voluntary, involuntary or constructive), resignation or retirement, or as a result of a change in control of the Company or a change in a NEO’s responsibilities.

Oversight and Description of Director and NEO Compensation

The Company’s executive compensation program during the most recently completed financial year was administered by the Board. The Board was solely responsible for determining the compensation to be paid to the Company’s directors and NEOs and evaluating their performance. The Board has not adopted any specific policies or objective for determining the amount or extent of compensation for directors or NEOs. The Board has not established a compensation committee.

The significant elements of compensation for the NEOs will be cash consulting fees, salary and stock options. There is no policy or target regarding allocation between cash and non-cash elements of the Company’s compensation program. The Board reviews annually the total compensation package of each of the Company’s executives on an individual basis.

Cash Consulting Fees

The Company’s compensation payable to the NEOs is based upon, among other things, the responsibility, skills and experience required to carry out the functions of each position held by each NEO and varies with the amount of time spent by each NEO in carrying out his or her functions on behalf of the Company. In particular the CEO’s compensation will be determined by time spent on: (i) the Company’s day to day operations; (ii) reviewing potential transactions and negotiating them on behalf of the Company; and (iii) new business ventures. The CFO’s compensation is primarily determined by time spent reviewing the Company’s financial statements.

Stock Options

The Stock Option Plan is intended to emphasize management’s commitment to the growth of the Company. The grant of stock options, as a key component of the executive compensation package, enables the Company to attract and retain qualified executives. Stock option grants are based on the total of stock options available under the Stock Option Plan. In granting stock options, the Board reviews the total of stock options available under the Stock Option Plan and recommends grants to newly retained executive officers at the time of their appointment, and considers recommending further grants to executive officers from time to time thereafter. The amount and terms of outstanding options held by an executive are taken into account when determining whether and how new option

grants should be made to the executive. The exercise periods are to be set at the date of grant. The stock option grants may contain vesting provisions in accordance to the Stock Option Plan.

Due to the Company being an early stage issuer and having limited financial resources, compensation is not tied to any performance criteria or goals. The Company is unaware of any significant events that have significantly affected compensation of its management team and directors. The Company did not make any changes to its compensation policies during or after the fiscal year ended December 31, 2022.

Pension Plan Benefits

The Company does not have any pension, defined benefit, defined contribution or deferred compensation plans in place.