



**ADAstra HOLDINGS LTD.**

**NOTICE OF MEETING**

**and**

**MANAGEMENT INFORMATION CIRCULAR**

**for the**

**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**to be held on**

**December 13, 2024**

**DATED AS OF NOVEMBER 6, 2024**

## ADASTRA HOLDINGS LTD.

### Notice of Annual General Meeting of Shareholders

To be held on December 13, 2024, at 1:00 p.m. (PST)

**NOTICE IS HEREBY GIVEN** that the annual general meeting (the “**Meeting**”) of shareholders (the “**Shareholders**”) of Adastra Holdings Ltd. (the “**Company**”) will be held as a virtual meeting on December 13, 2024, at 1:00 p.m. (PST) for the following purposes, as more particularly described in the attached management information circular (the “**Circular**”):

1. to receive and consider the audited consolidated financial statements of the Company for the financial years ended December 31, 2023 and 2022, together with the auditors’ report thereon (the “**Annual Financial Statements**”);
2. to elect the directors of the Company for the ensuing year, as more fully described in the Circular;
3. to re-appoint MNP LLP, Chartered Professional Accountants, as the auditors of the Company for the ensuing year and to authorize the board of directors of the Company (the “**Board**”) to fix their remuneration; and
4. to transact such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

The Board has fixed the close of business on November 6, 2024, as the record date (the “**Record Date**”) for determining Shareholders entitled to receive notice of and to vote at the Meeting and any adjournment or postponement thereof. Only Shareholders whose names have been entered in the register of Shareholders at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting.

**Registered Shareholders and duly appointed proxyholders may participate and vote in the Meeting by pre-registering to participate as outlined below. Registered Shareholders and duly appointed proxyholders that have pre-registered will have the opportunity to speak during the Meeting and participate in telephone voting. All other Shareholders may attend the Meeting via teleconference without pre-registering, however they will not be permitted to vote or to ask questions during the Meeting.**

**In order to be permitted to participate and vote during the Meeting, registered Shareholders and duly appointed proxyholders must pre-register via the following link prior to 1:00 p.m. (PST) on December 11, 2024: <https://us02web.zoom.us/meeting/register/tZllcOurpjkpGdCMEKPUriTKmHVp0MJCZHMI>. After pre-registration has been completed, pre-registered Shareholders and duly appointed proxyholders will receive an email providing access details. It is recommended that pre-registered Shareholders and duly appointed proxyholders that intend to participate in and vote at the Meeting attempt to connect at least ten minutes prior to the commencement of the Meeting. Shareholders will not be able to physically attend the Meeting. Attendees must ensure their display name at the Meeting matches the pre-registration details. Non-registered Shareholders who have not duly appointed themselves as proxyholder will be able to attend the Meeting by pre-registering as guests, but guests will not be able to vote at the Meeting.**

**The Company strongly encourages each Shareholder to submit a form of proxy or voting instruction form in advance of the Meeting using one of the methods described below and in the Circular.** Registered Shareholders should complete, date and sign a proxy form in advance of the Meeting and return it to National Securities Administrators Ltd. (“**NSA**”), by mail at: 777 Hornby St #702, Vancouver, British Columbia V6Z 1S2 (Tel: 604-559-8880), by email to [proxy@transferagent.ca](mailto:proxy@transferagent.ca) or by electronic voting through using the 12 digit control number located at the bottom of your proxy at [www.eproxy.ca](http://www.eproxy.ca) in each case by 1:00 p.m. (PST) on December 11, 2024 or 48 hours (excluding Saturdays, Sundays and holidays recognized in the Province of British Columbia) before any adjournment or postponement of the Meeting. Votes cast electronically are in all respects equivalent to, and will be treated in the exact same manner as, votes cast via a paper proxy form. Further details on the electronic voting process are provided in the form of proxy. Beneficial Shareholders who receive the Meeting materials through their broker or other intermediary should complete and return their form of proxy or voting instruction form in accordance with the

instructions provided by their broker or intermediary. **Shareholders are reminded to review the Circular prior to voting.**

The Board has, by resolution, fixed 1:00 p.m. (PST) on December 11, 2024, or in the event of an adjournment or postponement of the Meeting, 48 hours before the time of the adjourned or postponed Meeting (excluding Saturdays, Sundays and holidays recognized in the Province of British Columbia), as the time before which proxy forms to be used or acted upon at the Meeting, or any adjournment or postponement thereof, must be deposited with the Company's transfer agent and registrar, NSA. Alternatively, a proxy form may be given to the Chair of the Meeting at which the proxy form is to be used. Late forms of proxy may be accepted or rejected by the Chair of the Meeting in his or her discretion, and the Chair is under no obligation to accept or reject any particular late form of proxy.

**DATED** at Vancouver, British Columbia, this 6<sup>th</sup> day of November, 2024.

**BY ORDER OF THE BOARD OF DIRECTORS**

(signed) "*Jon Edwards*"

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Jon Edwards

Director

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## GENERAL INFORMATION FOR THE MEETING

### **Time, Date and Place of Meeting**

This management information circular (the “**Circular**”) is provided in connection with the solicitation, by or on behalf of the management of Adastra Holdings Ltd. (the “**Company**”), of proxies for use at the Company’s annual general meeting (the “**Meeting**”) of the holders (collectively, the “**Shareholders**” or, individually, a “**Shareholder**”) of common shares (the “**Common Shares**”) of the Company, to be held virtually on December 13, 2024, at 1:00 p.m. (PST) for the purposes set forth in the accompanying notice of meeting (the “**Notice**”). References in this Circular to the Meeting include any adjournment or postponement thereof.

### **Date of Information**

Unless otherwise stated herein, the information contained in this Circular is given as of November 6, 2024. Information set forth herein as to shareholdings is based upon information supplied by the respective persons holding such Common Shares.

### **Currency**

In this Circular, all references to dollar amounts are to Canadian dollars.

### **Record Date**

The Company has fixed the close of business on November 6, 2024, as the record date (the “**Record Date**”) for the purposes of determining Shareholders entitled to receive the Notice and to vote at the Meeting. Shareholders of record at the close of business on the Record Date will be entitled to vote in person or by proxy at the Meeting (subject, in the case of voting by proxy, to the timely deposit of a properly completed, signed and dated form of proxy with the Company’s registrar and transfer agent, National Securities Administrators Ltd. (“**NSA**”), as specified herein and in the Notice).

All Shareholders of record at the close of business on the Record Date are entitled to vote the Common Shares registered in such Shareholder’s name at that date on each matter to be acted upon at the Meeting. The failure of any Shareholder to receive a copy of the Notice does not deprive a Shareholder of the right to vote at the Meeting.

### **Quorum**

The quorum for the Meeting is one or more persons, present in person or by proxy.

### **Attending the Meeting**

Registered Shareholders and duly appointed proxyholders may participate and vote in the Meeting by pre-registering to participate as outlined below. Registered Shareholders and duly appointed proxyholders that have pre-registered will have the opportunity to speak during the Meeting and participate in telephone voting. All other Shareholders may attend the Meeting via teleconference without pre-registering, however they will not be permitted to vote or to ask questions during the Meeting.

In order to be permitted to participate and vote during the Meeting, registered Shareholders and duly appointed proxyholders must pre-register via the following link prior to 1:00 p.m. (PST) on December 11, 2024: <https://us02web.zoom.us/meeting/register/tZilcOurpjkpGdCMEKPUriTKmHVp0MJCZHMI>. After pre-registration has been completed, pre-registered Shareholders and duly appointed proxyholders will receive an email providing access details. It is recommended that pre-registered Shareholders and duly appointed proxyholders that intend to participate in and vote at the Meeting attempt to connect at least ten minutes prior to the commencement of the Meeting. Shareholders will not be able to physically attend the Meeting. Attendees must ensure their display name at the Meeting matches the pre-registration details. Non-registered Shareholders who have not duly appointed themselves as proxyholder will be able to attend the Meeting by pre-registering as guests, but guests will not be able to vote at the Meeting.

## **Solicitation of Proxies**

**The enclosed form of proxy is being solicited by the management of the Company for use at the Meeting.** Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other means of communication by the directors, officers and employees of the Company, none of whom will be specifically remunerated therefor. The Company does not reimburse Shareholders, nominees or agents for any cost incurred in obtaining from their principals authorization to execute forms of proxy, except that the Company has requested Intermediaries (as defined herein) who hold stock in their respective names to furnish this proxy material to Beneficial Shareholders (as defined herein), and, except in respect of OBOs (as defined herein) the Company will reimburse such Intermediaries for their related out of pocket expenses. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of solicitation will be borne by the Company.

In accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), the Company has made arrangements to distribute copies of the Meeting materials to Intermediaries or their nominees (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered Registered Retirement Savings Plans, Registered Retirement Income Funds, Deferred Profit Sharing Plans, Registered Education Savings Plans and similar plans) for distribution to Beneficial Shareholders and such Intermediaries are required to forward the Meeting materials to each Beneficial Shareholder (unless the Beneficial Shareholder has declined to receive such materials). The Company is paying Broadridge (as defined herein) to deliver, on behalf of the Intermediaries, a copy of the Meeting materials to each Beneficial Shareholder.

All references to Shareholders in this Circular, the accompanying form of proxy and the Notice are to registered Shareholders unless specifically noted otherwise.

## **Appointment and Revocation of Proxies**

The individuals named as proxyholders in the form of proxy accompanying this Circular are representatives of the Company’s management. **A Shareholder who wishes to appoint another person (who need not be a Shareholder) as his or her representative at the Meeting may do so by either: (a) crossing out the names of the designated proxyholders and printing the appointee of their choice in the blank space provided for that purpose in the proxy form or voting instruction form (“VIF”); or (b) completing another valid form of proxy.** In either case, the completed form of proxy must be delivered to NSA at the place and within the time limits specified herein for the deposit of proxies. A Shareholder who appoints a proxy other than the designated proxyholders should notify their chosen proxyholder(s), obtain his or her consent to act as proxy, and provide instructions to such proxyholder on how the Shareholder’s Common Shares are to be voted. In all cases the form of proxy should be dated and executed by a Shareholder or an attorney duly authorized in writing (with proof of such authorization attached, in the case where an appointed attorney has executed the form of proxy).

A form of proxy will not be valid for the Meeting or any adjournment or postponement thereof unless it is completed and delivered to National Securities Administrators Ltd. by mail at: 777 Hornby St #702, Vancouver, British Columbia V6Z 1S2 (Tel: 604-559-8880), by fax at: 604-559-8908, by email to [proxy@transferagent.ca](mailto:proxy@transferagent.ca) or by electronic voting through using the 12 digit control number located at the bottom of your proxy at [www.eproxy.ca](http://www.eproxy.ca) in each case by 1:00 p.m. (PST) on December 11, 2024 or 48 hours (excluding Saturdays, Sundays and holidays recognized in the Province of British Columbia) before any adjournment or postponement of the Meeting. Votes cast electronically are in all respects equivalent to, and will be treated in the exact same manner as, votes cast via a paper proxy form. Further details on the electronic voting process are provided in the form of proxy. Alternatively, a proxy form may be given to the Chair of the Meeting at which the proxy form is to be used. Late forms of proxy may be accepted or rejected by the Chair of the Meeting in his or her discretion, and the Chair is under no obligation to accept or reject any particular late form of proxy.

**A Shareholder who has given a proxy may revoke it, any time before it is exercised, by either: (a) attending the Meeting and voting in person if such Shareholder was a registered Shareholder at the close of business on the Record Date; (b) signing and delivering a form of proxy bearing a later date; (c) preparing an instrument in writing executed by such Shareholder or by his or her attorney authorized in writing, or if the Shareholder is a corporation, by an officer or attorney thereof duly authorized, and delivering it to National Securities**

**Administrators Ltd. by mail at: 777 Hornby St #702, Vancouver, British Columbia V6Z 1S2 (Tel: 604-559-8880); or (d) in any other manner permitted by law.**

**A form of proxy will only be revoked if a revocation is received by 4:00 p.m. PST on the last business day before the Meeting, or any adjournment or postponement thereof, or delivered to the Chair of the Meeting before it commences. If a registered Shareholder revokes a form of proxy and does not replace it with another form of proxy that is deposited with NSA before the proxy deadline, such Shareholder can still vote its Common Shares, but to do so the registered Shareholder must attend the Meeting in person.**

### **Voting of Proxies**

The persons named in the form of proxy are directors of the Company that have been selected by the directors of the Company and that have indicated their willingness to represent Shareholders that appoint them as proxy. Each Shareholder may instruct his or her proxy on how to vote his or her Common Shares by completing the blanks on the form of proxy.

Common Shares represented by properly executed forms of proxy in favour of the person designated on the form of proxy will be voted or withheld from voting in accordance with the instructions given on the form of proxy and if a Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. In the absence of such instructions, such Common Shares will be voted **FOR** the approval of all resolutions in this Circular.

**The form of proxy confers discretionary authority upon the persons named therein with respect to amendments and variations to matters identified in the Notice and this Circular and with respect to any other matters which may properly come before the Meeting.** As of the date hereof, management of the Company knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters which are not now known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxyholder.

### **Advice to Beneficial Shareholders**

**The information set forth in this section is of significant importance to Beneficial Shareholders, being those Shareholders who do not hold Common Shares in their own name.**

Non-registered Shareholders (being shareholders who beneficially own Common Shares that are registered in the name of an intermediary (each individually, an “**Intermediary**” or, collectively, the “**Intermediaries**”) such as a bank, trust company, securities broker or other nominee, or in the name of a depositary of which the Intermediary is a participant) (“**Beneficial Shareholders**”) should note that only proxies deposited by Shareholders whose names appear on the records of the Company as of the Record Date as the registered Shareholders can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by an Intermediary, then in almost all cases those Common Shares will not be registered in such Shareholder’s name on the records of the Company. Such Common Shares will more likely be registered under the name of the Shareholder’s Intermediary. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited), which acts as a nominee for many Canadian brokerage firms. In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company, which acts as depositary for many U.S. brokerage firms and custodian banks. Common Shares held by Intermediaries can only be voted (for, withheld or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting Common Shares for their clients.

The directors of the Company do not know for whose benefit the Common Shares registered in the name of CDS & Co. and Cede & Co. are held.

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Every Intermediary has its own mailing procedures and provides its own return voting instructions, which should be carefully followed by Beneficial Shareholders to ensure that their Common Shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its Intermediary is identical to the proxy form provided by the Company to the Intermediaries. However, its purpose is limited to instructing the Intermediary on how to vote



on behalf of the Beneficial Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions on how to vote from clients to Broadridge Investor Communications Corporation (“**Broadridge**”). Broadridge typically mails a form of proxy or VIF to the Beneficial Shareholders and asks the Beneficial Shareholders to return the form of proxy or VIF to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a form of proxy or VIF from Broadridge cannot use that form of proxy or VIF to vote Common Shares directly at the Meeting. The form of proxy or VIF must be returned to Broadridge or the Intermediary well in advance of the Meeting to have the Common Shares voted. A Beneficial Shareholder may revoke a form of proxy or VIF or a waiver of the right to receive Meeting materials and to vote which has been given to their Intermediary at any time by written notice to the Intermediary, provided that the Intermediary is not required to act on a revocation of a form of proxy or VIF or of a waiver of the right to receive Meeting materials and to vote, which is not received by the Intermediary at least seven days prior to the Meeting. If you have any questions regarding the voting of Common Shares held through a broker or other Intermediary, please contact your broker or other Intermediary for assistance.

Beneficial Shareholders who have not objected to their Intermediary disclosing certain beneficial ownership information about them to the Company are referred to as “**NOBOs**”. Beneficial Shareholders who have objected to their Intermediary disclosing their ownership information to the Company are referred to as “**OBOs**”. In accordance with the requirements of NI 54-101, the Company has elected to send the Notice, this Circular and a VIF instead of a proxy directly to the NOBOs and indirectly through Intermediaries to the OBOs. The Company will not pay for an Intermediary to deliver Meeting materials to OBOs. Accordingly, OBOs will not receive the materials unless their Intermediary assumes the cost of delivery.

By choosing to send these materials to NOBOs directly, the Company (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

No (a) director or executive officer of the Company who has held such position at any time since January 1, 2023; (b) Nominee (as defined herein); or (c) associate or affiliate of a person in (a) or (b) has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors. See “*Business of the Meeting – Election of Directors*” for more information on the election of directors.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The authorized capital of the Company consists of an unlimited number of Common Shares without par value, of which 5,597,050 Common Shares were issued and outstanding as at the Record Date. Each Common Share carries the right to one vote per share. No other voting securities were issued and outstanding as of the Record Date.

To the knowledge of the directors and the executive officers of the Company, as at the Record Date, no person beneficially owned, or controlled or directed, directly or indirectly, more than 10% of the issued and outstanding Common Shares.

#### **BUSINESS OF THE MEETING**

To the knowledge of the board of directors of the Company (the “**Board**”) and management of the Company, the only matters to be brought before the Meeting are those set out in the accompanying Notice and more particularly described below. **However, if other matters, which are not known to management, should properly come before the Meeting, the form of proxy will be voted on such matters in accordance with the best judgment of the persons voting the form of proxy.**

#### **Presentation of Financial Statements**

The audited consolidated financial statements of the Company for the financial years ended December 31, 2023 and 2022 (the “**Annual Financial Statements**”) will be placed before the Meeting. The Annual Financial Statements and the management’s discussion and analysis for the years ended December 31, 2023 and 2022 (the “**Annual MD&A**”)

have been provided to Shareholders in accordance with applicable laws and are available under the Company’s profile on the System for Electronic Document Analysis and Retrieval Plus (“**SEDAR+**”) at [www.sedarplus.com](http://www.sedarplus.com) or on the Company’s website at [www.adastraholdings.ca/investors](http://www.adastraholdings.ca/investors) and copies of these documents will also be available at the Meeting.

### **Election of Directors**

The Company currently has three directors, being Jon Edwards, Andrew Hale and Paul Morgan. The Board has fixed the number of directors to be elected at the Meeting at three. The Board has nominated the following three directors of the Company for re-election, being Jon Edwards, Andrew Hale and Paul Morgan (collectively, the “**Nominees**”). The Nominees, whose names are set out below, have been directors of the Company since the dates indicated below. If elected at the Meeting, each Nominee will hold office until the next annual meeting of Shareholders or until his successor is duly elected or appointed.

The table below sets forth the name, province or state and country of residence, date of appointment as a director and principal occupation during the prior five-year period of each Nominee and the number of voting securities of the Company beneficially owned, or over which control or direction is exercised, directly or indirectly, by each Nominee.

At the Meeting, Shareholders will be entitled to cast their votes for, or withhold their votes from, the election of each Nominee.

<b>Name, Province or State and Country of Residence</b>	<b>Director Since<sup>(1)</sup></b>	<b>Present Principal Occupation and Positions Held during the Preceding Five Years<sup>(2)</sup></b>	<b>Number of Common Shares Beneficially Owned or Controlled<sup>(3)</sup></b>
<b>Jon Edwards<sup>(4)</sup></b> British Columbia, Canada	April 2, 2024	January 2019 to Present – Arbitrator for the British Columbia Provincial Government	68,183
<b>Andrew Hale<sup>(4)</sup></b> British Columbia, Canada	March 13, 2024	February 26, 2021 to Present – Business Consultant to Cannon Estate Winery Ltd. December 19, 2019 to February 26, 2021 – Chief Executive Officer and President of Adastra Holdings Ltd.	118,900
<b>Paul Morgan<sup>(4)</sup></b> British Columbia, Canada	July 13, 2021	2013 to Present – Lawyer at Blue Bridge Law	3,000

**Notes:**

- (1) Each director’s term will continue until the next annual meeting of Shareholders or until the director resigns, becomes ineligible or unable to serve or until his successor is elected or appointed.
- (2) The information as to principal occupations of the Nominees, not being within the direct knowledge of the Company, has been furnished by the respective Nominees.
- (3) The information as to the number of Common Shares beneficially owned, or over which control or direction is exercised, by the Nominees directly or indirectly, not being within the direct knowledge of the Company, has been furnished by the respective Nominees or obtained from the System for Electronic Disclosure by Insiders, and may include Common Shares owned or controlled by the Nominees’ spouses and/or children and/or companies controlled by them or their spouses and/or children.
- (4) Member of the Audit Committee of the Board (the “**Audit Committee**”).

As at the Record Date, to the Company’s knowledge, the Nominees, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 190,083 Common Shares, representing approximately 3.4% of the total issued and outstanding Common Shares on a non-diluted basis.

To be effective, the election of each Nominee requires the affirmative vote of not less than a majority of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting. **The Board recommends that Shareholders vote FOR the election of each Nominee. Common Shares represented by proxies in favour of the person designated on the form of proxy will be voted FOR each Nominee unless a**

**Shareholder has specified in the form of proxy that his, her, or its Common Shares, as applicable, are to be withheld from voting in respect of any particular Nominee or Nominees. Management does not contemplate that any of the Nominees will be unable to serve as directors; however, if for any reason, any of the Nominees do not stand for election or are unable to serve as such, proxies in favour of the person designated on the form of proxy will be voted for another Nominee in his or her discretion unless a Shareholder has specified in the form of proxy that his, her or its Common Shares are to be withheld from voting in respect of any particular Nominee or Nominees.**

***Cease Trade Orders, Bankruptcies, Penalties or Sanctions***

To the knowledge of the Company, no Nominee is, as at the date hereof, or has been, within the 10 years before the date hereof, a director, Chief Executive Officer (“CEO”) or Chief Financial Officer (“CFO”) of any company (including the Company) that:

- (a) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days and that was issued while the Nominee was acting in the capacity of director, CEO or CFO; or
- (b) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the Nominee ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity of a director, CEO or CFO.

To the knowledge of the Company, no Nominee:

- (c) is, as at the date hereof, or has been, within the 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (d) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Nominee.

To the knowledge of the Company, as at the date hereof, no Nominee has been subject to:

- (e) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (f) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a Nominee.

**Appointment of Auditors**

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to approve, an ordinary resolution re-appointing MNP LLP, Chartered Professional Accountants (“MNP”) as auditors of the Company, to hold office until the close of the next annual meeting of Shareholders, and to authorize the Board to fix their remuneration. MNP was first appointed as auditors of the Company on December 7, 2023, replacing the Company’s former auditors Davidson & Company LLP, Chartered Professional Accountants (“Davidson & Company”).

The Company’s determination to change the auditor was not a result of any “reportable event” as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations* (“NI 51-102”). The resignation of Davidson & Company and the appointment of MNP was considered and, upon recommendation of the Audit Committee, approved by the Board. A copy of the reporting package in connection with a change in auditors, consisting of the Company’s Notice of Change in Auditor and response letters from Davidson & Company, as the former auditor, and MNP, as the successor auditor, is attached hereto as Schedule “A”.

To be effective, the resolution approving the re-appointment of MNP as auditors of the Company until the close of the next annual meeting of Shareholders and authorizing the Board to fix their remuneration requires the affirmative vote of not less than a majority of the votes cast by Shareholders present or represented by proxy and entitled to vote at the Meeting. **The Board recommends that Shareholders vote FOR the re-appointment of MNP. Common Shares represented by proxies in favour of the person designated on the form of proxy will be voted FOR the resolution authorizing the re-appointment of MNP as auditors of the Company, to hold office for the ensuing year at a remuneration to be fixed by the Board, unless a Shareholder has specified in the form of proxy that his, her or its Common Shares are to be withheld from voting in respect thereof.**

## STATEMENT OF EXECUTIVE COMPENSATION

### General

For the purpose of this Statement of Executive Compensation:

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

“**compensation securities**” includes 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;

“**Insider**” means an “insider” as defined in applicable securities laws or in the rules of the CSE;

“**Listed Issuer**” and “**Issuer**” both mean an issuer which has its securities qualified for listing on the CSE or which has been applied to have its securities qualified for listing on the CSE, as applicable;

“**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;

“**Optionee**” means an employee, director or consultant who holds options granted under the Legacy Stock Option Plan pursuant to an option agreement;

“**Optioned Shares**” means Common Shares issuable by the Company upon the exercise of outstanding options;

### Notice Regarding Share Consolidation

Effective as of October 15, 2024, the outstanding Common Shares of the Company were consolidated on the basis of ten (10) 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 options and other compensation securities:

Table of Compensation Excluding Compensation Securities							
Name and Position	Year <sup>(1)</sup>	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites <sup>(2)</sup> (\$)	Value of all other Compensation (\$)	Total Compensation (\$)
Michael Forbes <sup>(3)</sup> Former CEO, Corporate Secretary and Director	2023	157,500	Nil	Nil	Nil	36,750	194,250
	2022	120,000	Nil	Nil	Nil	7,350	127,350
Lachlan McLeod <sup>(4)</sup> Former CFO, Interim CEO and Corporate Secretary	2023	89,551	Nil	Nil	Nil	Nil	89,551
	2022	Nil	Nil	Nil	Nil	Nil	Nil
Oliver Foeste <sup>(5)</sup> Former CFO	2023	Nil	Nil	Nil	Nil	Nil	Nil
	2022	286,539 <sup>(9)</sup>	Nil	Nil	Nil	Nil	286,539
John Smoke Wallin <sup>(6)</sup> Former Director	2023	Nil	Nil	Nil	Nil	Nil	Nil
	2022	Nil	Nil	Nil	Nil	Nil	Nil
Paul G. Morgan <sup>(7)</sup> Director	2023	Nil	Nil	Nil	Nil	Nil	Nil
	2022	Nil	Nil	Nil	Nil	Nil	Nil
Andrew Hale <sup>(8)</sup> Director	2023	N/A	N/A	N/A	N/A	N/A	N/A
	2022	N/A	N/A	N/A	N/A	N/A	N/A
Donald Reed Dinsmore <sup>(10)</sup> Former COO, Corporate Secretary and Director	2023	N/A	N/A	N/A	N/A	N/A	N/A
	2022	102,705	Nil	Nil	Nil	Nil	102,705
George Routhier <sup>(11)</sup> Former Director	2023	N/A	N/A	N/A	N/A	N/A	N/A
	2022	2,000	Nil	Nil	Nil	Nil	2,000
Jon Edwards <sup>(12)</sup> Director	2023	N/A	N/A	N/A	N/A	N/A	N/A
	2022	N/A	N/A	N/A	N/A	N/A	N/A

(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 \$157,500 in consulting fees during the year ended December 31, 2023. During the year ended December 31, 2023, MDC Forbes Inc. also charged the Company rent of \$36,750. On March 29, 2024, Mr. Forbes resigned as CEO, Director and Corporate Secretary of the Company. During the year ended December 31, 2023 and 2022, Mr. Forbes did not receive any compensation in his capacity as director or Corporate Secretary of the Company.
- (4) Lachlan McLeod was appointed CFO of the Company on January 1, 2023. During the year ended December 31, 2023, the Company paid \$129,971 to Fehr & Associates CPA, the former employer of Mr. McLeod. On April 2, 2024, Mr. McLeod was also appointed as Corporate Secretary of the Company. On April 12, 2024, Mr. McLeod was appointed interim CEO of the Company. On September 26, 2024, Mr. McLeod resigned as interim CEO, and on October 5, 2024, Mr. McLeod resigned as CFO and Corporate Secretary.
- (5) Mr. Foeste was CFO of the Company until January 1, 2023.
- (6) John Smoke Wallin was appointed as a director of the Company on May 14, 2022. On April 12, 2024, Mr. Wallin resigned as a director of the Company.
- (7) Paul Morgan was appointed as a director of the Company on July 13, 2021.
- (8) Andrew Hale was appointed as a director of the Company on March 13, 2024.
- (9) The Company was charged by Invictus Accounting Group LLP (“**Invictus**”), 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. Mr. Foeste was engaged in his capacity as managing partner of Invictus to provide accounting advisory, financial reporting, and CFO services to the Company.
- (10) 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.
- (11) 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.
- (12) Jon Edwards was appointed as a director of the Company on April 2, 2024.

#### **External Management Companies**

Other than Invictus (as described above) 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, 2023 for services provided, or to be provided, directly or indirectly, to the Company or any subsidiary thereof:

<b>Compensation Securities</b>							
<b>Name and Position</b>	<b>Type of Compensation Security</b>	<b>Number of Compensation Securities /Number of Underlying Securities /Percentage of Class</b>	<b>Date of Issue or Grant</b>	<b>Issue, Conversion or Exercise Price (\$)</b>	<b>Closing Price of Security or Underlying Security on Date of Grant</b>	<b>Closing Price of Security or Underlying Security at Year End</b>	<b>Expiry Date</b>
Michael Forbes Former CEO, Corporate Secretary and Director	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Lachlan McLeod Former CFO, Interim CEO and Corporate Secretary	N/A	Nil	N/A	N/A	N/A	N/A	N/A

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
Oliver Foeste Former CFO	N/A	Nil	N/A	N/A	N/A	N/A	N/A
John Smoke Wallin Former Director	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Paul G. Morgan Director	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Andrew Hale Director	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Jon Edwards Director	N/A	Nil	N/A	N/A	N/A	N/A	N/A

As at December 31, 2023:

- (a) Michael Forbes, former CEO, Corporate Secretary and director of the Company, owned an aggregate of 30,000 compensation securities, comprised solely of options, each of which is exercisable into one Common Share at a price of \$10.60 per Common Share until October 25, 2026;
- (b) Lachlan McLeod, former CFO, Interim CEO, and Corporate Secretary of the Company, did not own any compensation securities;
- (c) John Smoke Wallin, former director of the Company, owned an aggregate of 30,000 compensation securities, comprised solely of options, each of which is exercisable into one Common Share at a price of \$7.50 per Common Share until August 19, 2027;
- (d) Paul Morgan, a director of the Company, owned an aggregate of 30,000 compensation securities, comprised solely of options, each of which is exercisable into one Common Share at a price of \$10.60 per Common Share until October 25, 2026; and
- (e) Andrew Hale, the former CEO, President and a director of the Company, owned an aggregate of 70,000 compensation securities, comprised solely of options, 66,667 of which are exercisable into one Common Share at a price of \$13.50 per Common Share until January 30, 2025 and 3,333 of which are exercisable into one Common Share at a price of \$13.50 per Common Share until August 4, 2026.

#### **Exercise of Compensation Securities by Directors and NEOs**

No compensation securities were exercised by an NEO or director of the Company during the year ended December 31, 2023.

#### **Incentive Plans**

##### ***Legacy Stock Option Plan***

The board of directors of the Company (the “**Board**”) adopted the Company’s current incentive stock option plan (the “**Legacy Stock Option Plan**”) on January 30, 2020, whereby it can grant options to directors, officers, employees and consultants of the Company. Shareholders approved the Legacy Stock Option Plan at the annual general meeting held on November 22, 2019. The Legacy Stock Option Plan is a “rolling” stock option plan whereby a maximum of 10% of the issued and outstanding Common Shares of the Company, from time to time, may be reserved for issuance pursuant to the exercise of options.

The principal purposes of the Legacy Stock Option Plan are to provide the Company with the advantages of the incentive inherent in share ownership on the part of directors, employees and consultants of the Company and its subsidiaries responsible for the continued success of the Company and its subsidiaries; to create in such persons a proprietary interest in, and greater concern for, the welfare and success of the Company and its subsidiaries; to encourage such persons to remain with the Company or its subsidiaries; and to attract new directors, employees and consultants to the Company and its subsidiaries.

The material terms of the Legacy Stock Option Plan are as follows:

1. The term of any options granted under the Legacy Stock Option Plan will be fixed by the Board at the time such options are granted, provided that options will not be permitted to exceed the term of ten (10) years.
2. The exercise price of any Optioned Share under an option shall be determined by the Board, in its sole discretion, at the time the option is granted but such price shall not be less than the discounted market price.
3. No vesting requirements will apply to options granted under the Legacy Stock Option Plan other than as required by CSE policies; however, a four-month hold period will apply to all Common Shares if options are granted at an exercise price which is a discount to the market price, and each option is subject to a four-month hold period, commencing from the date of grant.
4. All options will be non-assignable and non-transferable.
5. The number of Common Shares under each option will be determined by the Board provided that the aggregate number of Common Shares reserved for issuance pursuant to options granted during any twelve (12) month period to:
  - (a) Insiders may not exceed 10% of the total issued and outstanding Common Shares of the Company at the time of grant unless Approval by the Disinterested Shareholders (as defined below) has been obtained in accordance with the policies of the CSE;
  - (b) subject to (c) below, any one person may not exceed 5% of the total issued and outstanding Common Shares (unless Approval by the Disinterested Shareholders has been obtained);
  - (c) any one consultant may not exceed 2% of the total issued and outstanding Common Shares at the date of such grant; and
  - (d) any one person engaged in investor relations activities for the Company may not exceed 2% of the total issued and outstanding Common Shares of the Company and must vest in stages over a 12-month period with no more than 1/4 of the options vesting in any three-month period;

in each case calculated as at the date of grant of the option, including all other Common Shares under option to such person at that time.

6. Approval by the Disinterested Shareholders must be obtained for: (i) any reduction in the exercise price of an outstanding option, if the option holder is an insider; (ii) any grant of options to insiders, within a 12-month period, exceeding 10% of the Company's issued Common Shares; and (iii) any grant of options to any one individual, within a 12-month period, exceeding 5% of the Company's issued Common Shares.
7. If there is a takeover bid made for all or any of the issued and outstanding Common Shares, then all outstanding options, whether fully-vested and exercisable or remaining subject to vesting provisions or other limitations on exercise, shall become exercisable in full to enable the Optioned Shares to be issued and tendered to such bid, subject to prior written approval of the CSE.
8. The exercise price and the number of Common Shares which are subject to an option may be adjusted from time to time for share dividends, and in the event of recapitalization, subdivision, consolidation, arrangement, amalgamation reorganization or change in the capital structure of the Company then on each exercise of the option which occurs following such events, the Optionee shall instead receive the number and kind of shares or other securities of the Company or other company into which such Optioned Share would have been changed or for which such Optioned Share would have been exchanged if it had been outstanding on the date



of such event and the exercise price will be similarly adjusted so that the aggregate price to exercise the option is preserved.

9. Options can only be exercised by the Optionee as long as the Optionee remains an eligible Optionee pursuant to the Legacy Stock Option Plan or within a period of not more than 90 days after ceasing to be an eligible Optionee (30 days in the case of a person engaged in investor relations activities).
10. In the event of death of an Optionee, the Optionee's heirs or administrators may exercise any portion of such Optionee's outstanding option until the earlier of one year following the date of the Optionee's death or the expiry of the option.
11. In the event that the Optionee shall cease to be a director, employee or consultant by reason of such Optionee's disability, any options held by such Optionee that could have been exercised immediately prior to such cessation shall be exercisable by such Optionee, or by his or her legal representative for a period of 30 days following the date of such cessation. If such Optionee dies within that 30-day period, any option held by such Optionee that could have been exercised immediately prior to his or her death shall pass to the legal representative of such Optionee and shall be exercisable by the legal representative until the earlier of 30 days following the death of such Optionee and the expiry of the option.
12. Employment shall be deemed to continue intact during any military or sick leave or other bona fide leave of absence if the period of such leave does not exceed 180 days or, if longer, for so long as the Optionee's right to re-employment with the Company or its subsidiary is guaranteed either by statute or by contract. If the period of such leave exceeds 180 days and the Optionee's re-employment is not so guaranteed, then the Optionee's employment shall be deemed to have terminated on the 181st day of such leave.
13. In the event an Optionee shall cease to be a director, employee or consultant of the Company for termination for cause, the option shall terminate and shall cease to be exercisable upon such termination for cause.

**“Approval by the Disinterested Shareholders”** means approval by a majority of votes cast by all shareholders at the meeting, excluding votes attached to Common Shares beneficially owned by Insiders of the Company to whom options may be granted pursuant to the Legacy Stock Option Plan and their associates in accordance with the policies of the CSE.

### ***Omnibus Plan***

On August 11, 2023, the Board adopted the Omnibus Equity Incentive Plan (the **“Omnibus Plan”**). Shareholders approved and confirmed the adoptions of the Omnibus Plan at the annual general meeting held on September 14, 2023. The Omnibus Plan provides flexibility to the Company to grant equity-based incentive awards in the form of options, restricted share units (**“RSUs”**), performance share units (**“PSUs”**) and deferred share units (**“DSUs”**), as described in further detail below. The purpose of the Omnibus Plan is to, among other things, provide the Company with a share related mechanism to attract, retain and motivate qualified directors, officers, employees and consultants of the Company and its subsidiaries, to reward such of those directors, officers, employees and consultants as may be granted awards under the Omnibus Plan by the Board from time to time for their contributions toward the long-term goals and success of the Company and to enable and encourage such directors, officers, employees and consultants to acquire Common Shares as long-term investments and proprietary interests in the Company.

The Omnibus Plan is a rolling plan which, subject to the adjustment provisions provided for therein (including a subdivision or consolidation of Common Shares), provides that the aggregate maximum number of Common Shares that may be issued upon the exercise or settlement of awards granted under the Omnibus Plan shall not exceed 20% of the Company's issued and outstanding Common Shares from time to time.

The Plan Administrator (as defined in the Omnibus Plan) is determined by the Board and is initially the Board. The Omnibus Plan may in the future continue to be administered by the Board itself or delegated to a committee of the Board. The Plan Administrator determines which directors, officers, consultants and employees are eligible to receive awards under the Omnibus Plan, the time or times at which awards may be granted, the conditions under which awards may be granted or forfeited to the Company, the number of Common Shares to be covered by any award, the exercise

price of any award, whether restrictions or limitations are to be imposed on the Common Shares issuable pursuant to grants of any award, and the nature of any such restrictions or limitations, any acceleration of exercisability or vesting, or waiver of termination regarding any award, based on such factors as the Plan Administrator may determine.

In addition, the Plan Administrator interprets the Omnibus Plan and may adopt guidelines and other rules and regulations relating to the Omnibus Plan and make all other determinations and take all other actions necessary or advisable to the implementation and administration of the Omnibus Plan.

All directors, officers, employees and consultants are eligible to participate in the Omnibus Plan. The extent to which any such individual is entitled to receive a grant of an award pursuant to the Omnibus Plan will be determined in the sole and absolute discretion of the Plan Administrator.

#### *Types of Awards*

Awards of options, RSUs, PSUs and DSUs may be made under the Omnibus Plan. All of the awards described below are subject to the conditions, limitations, restrictions, exercise price, vesting, settlement and forfeiture provisions determined by the Plan Administrator, in its sole discretion, subject to such limitations provided in the Omnibus Plan, and will generally be evidenced by an award agreement. In addition, subject to the limitations provided in the Omnibus Plan and in accordance with applicable law, the Plan Administrator may accelerate or defer the vesting or payment of awards, cancel or modify outstanding awards, and waive any condition imposed with respect to awards or Common Shares issued pursuant to awards.

#### Options

An option entitles a holder thereof to purchase a prescribed number of treasury shares at an exercise price set at the time of the grant. The Plan Administrator will establish the exercise price at the time each option is granted, which exercise price must in all cases be the greater of the closing market price of the Common Shares on (i) the trading day prior to the date of grant and (ii) the date of grant, and as otherwise required pursuant to the policies of any stock exchange on which the Common Shares are listed (the “**Market Price**”), unless otherwise permitted by applicable securities laws or the policies of a stock exchange on which the Common Shares are listed. Subject to any accelerated termination as set forth in the Omnibus Plan, each option expires on its respective expiry date, provided such expiry date does not exceed 10 years. The Plan Administrator will have the authority to determine the vesting terms applicable to grants of options. Once an option becomes vested, it shall remain vested and shall be exercisable until expiration or termination of the option, unless otherwise specified by the Plan Administrator or as otherwise set forth in any written employment agreement, award agreement or other written agreement between the Company or a subsidiary of the Company and the participant. The Plan Administrator has the right to accelerate the date upon which any option becomes exercisable. The Plan Administrator may provide at the time of granting an option that the exercise of that option is subject to restrictions, in addition to those specified in the Omnibus Plan, such as vesting conditions relating to the attainment of specified performance goals.

Unless otherwise specified by the Plan Administrator at the time of granting an option and set forth in the particular award agreement, an exercise notice must be accompanied by payment of the exercise price. Subject to the policies of any stock exchange on which the Common Shares are listed, a participant may, in lieu of exercising an option pursuant to an exercise notice, elect to surrender such option to the Company (a “**Cashless Exercise**”) in consideration for an amount from the Company equal to (i) the Market Price of the Common Shares issuable on the exercise of such option (or portion thereof) as of the date such option (or portion thereof) is exercised, less (ii) the aggregate exercise price of the option (or portion thereof) surrendered relating to such Common Shares (the “**In-the-Money Amount**”) by written notice to the Company indicating the number of options such participant wishes to exercise using the Cashless Exercise, and such other information that the Company may require. Subject to the provisions of the Omnibus Plan and the policies of any stock exchange on which the Common Shares are listed, the Company will satisfy payment of the In-the-Money Amount by delivering to the participant such number of Common Shares having a fair market value equal to the In-the-Money Amount.

#### Restricted Share Units

An RSU is a unit equivalent in value to a Common Share credited by means of a bookkeeping entry in the books of the Company which entitles the holder to receive one Common Share (or the value thereof) for each RSU after a specified vesting period. The Plan Administrator may, from time to time, subject to the provisions of the Omnibus

Plan and such other terms and conditions as the Plan Administrator may prescribe, grant RSUs to any participant in respect of a bonus or similar payment in respect of services rendered by the applicable participant in a taxation year (the “**RSU Service Year**”).

The number of RSUs (including fractional RSUs) granted at any particular time under the Omnibus Plan will be calculated by dividing (a) the amount of any bonus or similar payment that is to be paid in RSUs, as determined by the Plan Administrator, by (b) the greater of (i) the Market Price of a Common Share on the date of grant and (ii) such amount as determined by the Plan Administrator in its sole discretion. The Plan Administrator shall have the authority to determine any vesting terms applicable to the grant of RSUs, provided that the terms comply with Section 409A of the U.S. Internal Revenue Code, to the extent applicable.

Upon settlement, holders will redeem each vested RSU for the following at the election of such holder but subject to the approval of the Plan Administrator: (a) one fully paid and non-assessable Common Share in respect of each vested RSU, (b) a cash payment or (c) a combination of Common Shares and cash. Any such cash payments made by the Company shall be calculated by multiplying the number of RSUs to be redeemed for cash by the Market Price per Common Share as at the settlement date. Subject to the provisions of the Omnibus Plan and except as otherwise provided in an award agreement, no settlement date for any RSU shall occur, and no Common Share shall be issued, or cash payment shall be made in respect of any RSU any later than the final business day of the third calendar year following the applicable RSU Service Year.

#### Performance Share Units

A PSU is a unit equivalent in value to a Common Share credited by means of a bookkeeping entry in the books of the Company, which entitles the holder to receive one Common Share (or the value thereof) for each PSU after specific performance-based vesting criteria determined by the Plan Administrator, in its sole discretion, have been satisfied. The performance goals to be achieved during any performance period, the length of any performance period, the amount of any PSUs granted, the effect of termination of a participant’s service and the amount of any payment or transfer to be made pursuant to any PSU will be determined by the Plan Administrator and by the other terms and conditions of any PSU, all as set forth in the applicable award agreement. The Plan Administrator may, from time to time, subject to the provisions of the Omnibus Plan and such other terms and conditions as the Plan Administrator may prescribe, grant PSUs to any participant in respect of a bonus or similar payment in respect of services rendered by the applicable participant in a taxation year (the “**PSU Service Year**”).

The Plan Administrator shall have the authority to determine any vesting terms applicable to the grant of PSUs. Upon settlement, holders will redeem each vested PSU for the following at the election of such holder but subject to the approval of the Plan Administrator: (a) one fully paid and non-assessable Common Share in respect of each vested PSU, (b) a cash payment, or (c) a combination of Common Shares and cash. Any such cash payments made by the Company to a participant shall be calculated by multiplying the number of PSUs to be redeemed for cash by the Market Price per Common Share as at the settlement date. Subject to the provisions of the Omnibus Plan and except as otherwise provided in an award agreement, no settlement date for any PSU shall occur, and no Common Share shall be issued, or cash payment shall be made in respect of any PSU any later than the final business day of the third calendar year following the applicable PSU Service Year.

#### Deferred Share Units

A DSU is a unit equivalent in value to a Common Share credited by means of a bookkeeping entry in the books of the Company which entitles the holder to receive one Common Share (or, at the election of the holder and subject to the approval of the Plan Administrator, the cash value thereof) for each DSU on a future date. The Board may fix from time to time a portion of the total compensation (including annual retainer) paid by the Company to a director in a calendar year for service on the Board (the “**Director Fees**”) that are to be payable in the form of DSUs. In addition, each director is given, subject to the provisions of the Omnibus Plan, the right to elect to receive a portion of the cash Director Fees owing to them in the form of DSUs.

Except as otherwise determined by the Plan Administrator or as set forth in the particular award agreement, DSUs shall vest immediately upon grant. The number of DSUs (including fractional DSUs) granted at any particular time will be calculated by dividing (a) the amount of Director Fees that are to be paid in DSUs, as determined by the Plan Administrator, by (b) the Market Price of a Common Share on the date of grant. Upon settlement, holders will redeem each vested DSU for: (a) one fully paid and non-assessable Common Share issued from treasury in respect of each

vested DSU, or (b) at the election of the holder and subject to the approval of the Plan Administrator, a cash payment on the date of settlement. Any cash payments made under the Omnibus Plan by the Company to a participant in respect of DSUs to be redeemed for cash shall be calculated by multiplying the number of DSUs to be redeemed for cash by the Market Price per Common Share as at the settlement date.

#### *Dividend Equivalents*

Except as otherwise determined by the Plan Administrator or as set forth in the particular award agreement, RSUs, PSUs and DSUs shall be credited with dividend equivalents in the form of additional RSUs, PSUs and DSUs, as applicable, as of each dividend payment date in respect of which normal cash dividends are paid on Common Shares.

Dividend equivalents shall vest in proportion to, and settle in the same manner as, the awards to which they relate. Such dividend equivalents shall be computed by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per Common Share by the number of RSUs, PSUs and DSUs, as applicable, held by the participant on the record date for the payment of such dividend, by (b) the Market Price at the close of the first business day immediately following the dividend record date, with fractions computed to three decimal places.

#### *Black-out Periods*

In the event an award expires, at a time when a scheduled blackout is in place or an undisclosed material change or material fact in the affairs of the Company exists, the expiry of such award will be the date that is 10 business days after which such scheduled blackout terminates or there is no longer such undisclosed material change or material fact.

#### *Term*

While the Omnibus Plan does not stipulate a specific term for awards granted thereunder, as discussed below, awards may not expire beyond 10 years from its date of grant, except where shareholder approval is received or where an expiry date would have fallen within a blackout period of the Company. All awards must vest and settle in accordance with the provisions of the Omnibus Plan and any applicable award agreement, which award agreement may include an expiry date for a specific award.

#### *Termination of Employment or Services*

The following table describes the impact of certain events upon the participants under the Omnibus Plan, including termination for cause, resignation, termination without cause, disability, death or retirement, subject, in each case, to the terms of a participant's applicable employment agreement, award agreement or other written agreement:

Event	Provisions
Termination for Cause/Resignation	Any option or other award held by the participant that has not been exercised, surrendered or settled as of the Termination Date (as defined in the Omnibus Plan) shall be immediately forfeited and cancelled as of the Termination Date.
Termination without Cause	Any unvested options or other awards shall be immediately forfeited and cancelled as of the Termination Date. Any vested options may be exercised by the participant at any time during the period that terminates on the earlier of: (A) the expiry date of such option; and (B) the date that is 90 days after the Termination Date. If an option remains unexercised upon the earlier of (A) or (B), the option shall be immediately forfeited and cancelled for no consideration upon the termination of such period. In the case of a vested award other than an option, such award will be settled within 90 days after the Termination Date.
Disability	Any award held by the participant that has not vested as of the date of such participant's Termination Date shall be immediately forfeited and cancelled as of the Termination Date. Any vested option may be exercised by the participant at any time until the expiry date of such option. Any vested award other than an option will be settled within 90 days after the Termination Date.

Event	Provisions
Death	Any award that is held by the participant that has not vested as of the date of the death of such participant shall be immediately forfeited and cancelled as of the Termination Date. Any vested option may be exercised by the participant's beneficiary or legal representative (as applicable) at any time during the period that terminates on the earlier of: (a) the expiry date of such option, and (b) the first anniversary of the date of the death of such participant. If an option remains unexercised upon the earlier of (A) or (B), the option shall be immediately forfeited and cancelled for no consideration upon the termination of such period. In the case of a vested award other than an option, such award will be settled with the participant's beneficiary or legal representative (as applicable) within 90 days after the date of the participant's death.
Retirement	Any (i) outstanding award that vests or becomes exercisable based solely on the participant remaining in the service of the Company or its subsidiary will become 100% vested, and (ii) outstanding award that vests based on the achievement of Performance Goals (as defined in the Omnibus Plan) that has not previously become vested shall continue to be eligible to vest based upon the actual achievement of such Performance Goals. Any vested option may be exercised by the participant at any time during the period that terminates on the earlier of: (A) the expiry date of such option; and (B) the third anniversary of the participant's date of retirement. If an option remains unexercised upon the earlier of (A) or (B), the option shall be immediately forfeited and cancelled for no consideration upon the termination of such period. In the case of a vested award other than an option that is described in (i), such award will be settled within 90 days after the participant's retirement. In the case of a vested award other than an option that is described in (ii), such award will be settled at the same time the award would otherwise have been settled had the participant remained in active service with the Company or its subsidiary. Notwithstanding the foregoing, if, following his or her retirement, the participant commences (the " <b>Commencement Date</b> ") employment, consulting or acting as a director of the Company or any of its subsidiaries (or in an analogous capacity) or otherwise as a service provider to any person that carries on or proposes to carry on a business competitive with the Company or any of its subsidiaries, any option or other award held by the participant that has not been exercised or settled as of the Commencement Date shall be immediately forfeited and cancelled as of the Commencement Date.

### *Change in Control*

Unless otherwise determined by the Plan Administrator, if, as a result of a Change in Control (as defined below), the Common Shares will cease trading on the CSE, the Company may terminate all of the awards, other than an option held by a participant that is a resident of Canada for the purposes of the *Income Tax Act* (Canada), granted under the Omnibus Plan at the time of and subject to the completion of the Change in Control transaction by paying to each holder at or within a reasonable period of time following completion of such Change in Control transaction an amount for each award equal to the fair market value of the award held by such participant as determined by the Plan Administrator, acting reasonably, provided that any vested awards granted to U.S. Taxpayers (as defined in the Omnibus Plan) will be settled within 90 days of the Change in Control.

Subject to certain exceptions, a "**Change in Control**" includes (a) any transaction pursuant to which a person or group acquires more than 50% of the outstanding Common Shares, (b) the sale of all or substantially all of the Company's assets, (c) the dissolution or liquidation of the Company, (d) the acquisition of the Company via consolidation, merger, exchange of securities, purchase of assets, amalgamation, statutory arrangement or otherwise, (e) individuals who comprise the Board at the last annual meeting of shareholders (the "**Incumbent Board**") cease to constitute at least a majority of the Board, unless the election, or nomination for election by the shareholders, of any new director was approved by a vote of at least a majority of the Incumbent Board, in which case such new director shall be considered as a member of the Incumbent Board, or (f) any other event which the Board determines to constitute a change in control of the Company.

### *Non-Transferability of Awards*

Except as permitted by the Plan Administrator and to the extent that certain rights may pass to a beneficiary or legal representative upon death of a participant, by will or as required by law, no assignment or transfer of awards, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such awards whatsoever in any assignee or transferee and immediately upon any assignment or transfer, or any attempt to make the same, such awards will terminate and be of no further force or effect. To the extent that certain rights to exercise any portion of an outstanding award pass to a beneficiary or legal representative upon the death of a participant, the period in which such award can be exercised by such beneficiary or legal representative shall not exceed one year from the participant's death.

### *Amendments to the Omnibus Plan*

The Plan Administrator may also from time to time, without notice and without approval of the holders of voting Common Shares, amend, modify, change, suspend or terminate the Omnibus Plan or any awards granted pursuant thereto as it, in its discretion, determines appropriate, provided that (a) no such amendment, modification, change, suspension or termination of the Omnibus Plan or any award granted pursuant thereto may materially impair any rights of a participant or materially increase any obligations of a participant under the Omnibus Plan without the consent of such participant, unless the Plan Administrator determines such adjustment is required or desirable in order to comply with any applicable securities laws or stock exchange requirements, and (b) any amendment that would cause an award held by a U.S. Taxpayer to be subject to the income inclusion under Section 409A of the United States Internal Revenue Code, as amended, shall be null and void ab initio.

Notwithstanding the above, and subject to the rules of any applicable stock exchange, the approval of shareholders is required to affect any of the following amendments to the Omnibus Plan:

1. increasing the number of Common Shares reserved for issuance under the Omnibus Plan, except pursuant to the provisions in the Omnibus Plan which permit the Plan Administrator to make equitable adjustments in the event of transactions affecting the Company or its capital;
2. reducing the exercise price of an option award except pursuant to the provisions in the Omnibus Plan which permit the Plan Administrator to make equitable adjustments in the event of transactions affecting the Company or its capital;
3. extending the term of an option award beyond the original expiry date (except where an expiry date would have fallen within a blackout period applicable to the participant or within 10 business days following the expiry of such a blackout period);
4. permitting an option award to be exercisable beyond 10 years from its date of grant (except where an expiry date would have fallen within a blackout period);
5. changing the eligible participants; and
6. deleting or otherwise limiting the amendments that require approval of the shareholders.

Except for the items listed above, amendments to the Omnibus Plan will not require approval of the shareholders. Such amendments include (but are not limited to): (a) amending the general vesting provisions of an award, (b) amending the provisions for early termination of awards in connection with a termination of employment or service, (c) adding covenants of the Company for the protection of the participants, (d) amendments that are desirable as a result of changes in law in any jurisdiction where a participant resides, and (e) curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error.

As of the date hereof, the Company has not granted any options, RSUs, PSUs and DSUs to its directors, officers and consultants under the Omnibus Plan. During the three months ended March 31, 2024 and the year ended December 31, 2023, the Company had no option grants under the Legacy Stock Option Plan.

The Legacy Stock Option Plan and the Omnibus Plan are subject to approval by the shareholders. Pursuant to CSE requirements, every three years after institution, all unallocated options, rights and other entitlement under any security-based compensation arrangement which does not have a fixed maximum number of securities issuable thereunder (commonly referred to as “rolling plans”), must be approved by the majority of the Company’s Board and its shareholders. Pursuant to the policies of the CSE, the Company has not received shareholder approval for the Legacy Stock Option Plan in accordance with CSE requirements since its institution and is therefore not permitted to grant any options pursuant to the Legacy 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 30,000 Common Shares at an exercise price of \$10.00 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 or damages the reputation of the Company. On March 29, 2024, Mr. Forbes resigned from the Company and the Forbes Agreement was terminated.

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 30,000 Common Shares at an exercise price of \$10.60 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 Circular. The Foeste Agreement was terminated effective January 1, 2023.

On January 1, 2023, 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. On June 3, 2023, the Company paid a placement fee of \$52,500 to F&A to employ Lachlan McLeod directly and terminated the Fehr Agreement.

On June 3, 2023, the Company entered into an employment agreement with Lachlan McLeod (the “**McLeod Agreement**”) for a salary of \$133,750, which increased to \$160,000 on June 3, 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 options on terms that are at least as favorable as other executives of the Company. As a result of Mr. McLeod’s resignation as interim CEO on September 26, 2024 and as CFO and Corporate Secretary on October 5, 2024, the McLeod Agreement was terminated.

### **Termination and Change of Control Benefits**

On December 31, 2023, there were no contracts, agreements, plans or arrangements between the Company and its NEOs that provide 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.

Pursuant to the Omnibus Plan, the Board determines, and initially takes on the role of, the Plan Administrator (as defined in the Omnibus Plan). The Plan Administrator determines which directors, officers, consultants and employees are eligible to receive awards under the Omnibus Plan, the times at which they are granted, the conditions under which they are granted, the number of Common Shares covered by an award, and other variables as set out in the above description of the Omnibus Plan based on such factors as the Plan Administrator may determine.

The significant elements of compensation for the NEOs will be cash consulting fees, salary and options, RSUs, PSUs and DSUs. 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.

### ***Awards***

The Omnibus Plan, and historically, the Legacy Stock Option Plan, are intended to emphasize management's commitment to the growth of the Company. The grant of awards, as a key component of the executive compensation package, enables the Company to attract and retain qualified executives. Award grants are based on the total of awards available and the Board reviews the total of awards available in order to recommend grants to newly retained executive officers of the Company at the time of their appointment and considers recommending further grants to executive officers of the Company from time to time thereafter. The amount and terms of outstanding awards held by an executive officer of the Company are taken into account when determining whether and how new award grants should be made to the executive. The exercise periods are to be set at the date of grant. Award grants may contain vesting and/or performance criteria provisions.

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 the 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, 2023.

### **Pension Plan Benefits**

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

## **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table is a summary of compensation plans under which equity securities of the Company were authorized for issuance as of December 31, 2023:



Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
	(#)	(\$)	(#)
Equity compensation plans approved by security holders	287,000 <sup>(1)</sup>	\$13.80	832,411 <sup>(2)</sup>
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>287,000</b>	<b>\$13.80</b>	<b>832,411</b>

Notes:

- (1) The Legacy Stock Option Plan is a rolling stock option plan under which the Company can issue such number of options as is equal to 10% of the Company's issued and outstanding Common Shares from time to time. As of November 6, 2024, there were 5,597,050 post-Consolidation Common Shares outstanding and the Company could issue up to an additional 272,705 options to acquire Common Shares on such date. The Omnibus Plan provides flexibility to the Company to grant equity-based incentive awards in the form of options, RSUs, PSUs and DSUs. The Omnibus Plan is a rolling plan which, subject to the adjustment provisions provided for therein (including a subdivision or consolidation of Common Shares), provides that the aggregate maximum number of Common Shares that may be issued upon the exercise or settlement of awards granted under the Omnibus Plan shall not exceed 20% of the Company's issued and outstanding Common Shares from time to time.
- (2) Represents the number of Common Shares reserved for issuance under the Legacy Stock Option Plan and the Omnibus Plan as of December 31, 2023.

#### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No individual who is, or at any time during Fiscal 2023 was, a director or officer of the Company, a Nominee, or any associate of any one of the foregoing persons is, or at any time since the beginning of Fiscal 2023 has been, indebted to the Company or any of its subsidiaries (other than in respect of amounts which constitute routine indebtedness) or was indebted to another entity, where such indebtedness is, or was at any time since the commencement of Fiscal 2023, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries. For the purposes of this paragraph, "support agreement" includes, but is not limited to, an agreement to provide assistance in the maintenance or servicing of any indebtedness and an agreement to provide compensation for the purpose of maintaining or servicing any indebtedness of the borrower.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTION**

Except as otherwise disclosed herein, no "informed persons" of the Company (as defined in NI 51-102), nor any Nominee, nor any person who beneficially owns, directly or indirectly, Common Shares carrying more than 10% of the voting rights attached to the issued and outstanding Common Shares, nor any associate or affiliate of the foregoing persons, has had any material interest, direct or indirect, in any transaction since the commencement of Fiscal 2023 or in any proposed transaction which has materially affected the Company or would materially affect the Company, or any of its subsidiaries.

#### **MANAGEMENT CONTRACTS**

No management functions of the Company and its subsidiaries are performed to any substantial degree by persons other than the directors and executive officers of the Company or its subsidiaries.

#### **STATEMENT OF CORPORATE GOVERNANCE**

The Company and the Board recognize the importance of corporate governance for the effective management of the Company and the protection of its stakeholders, particularly Shareholders. The Company's approach to issues of corporate governance is designed with a view to ensuring that the business and affairs of the Company are effectively managed so as to enhance Shareholder value. The Board fulfills its mandate at regularly scheduled meetings or as required. The directors are kept informed regarding the Company's operations at regular meetings and through reports and discussions with management on matters within their particular areas of expertise. Frequency of meetings may be

increased and the nature of the agenda items may be changed depending upon the state of the Company's affairs and in light of opportunities or risks that the Company faces.

National Policy 58-201 – *Corporate Governance Guidelines* (“NP 58-201”) establishes corporate governance guidelines that apply to all public companies. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* mandates disclosure of corporate governance practices, which disclosure is set out below, in accordance with Form 58-101F2 – *Corporate Governance Disclosure (Venture Issuers)*.

The Company believes that its corporate governance practices are in compliance with applicable Canadian guidelines including NP 58-201. The Company has considered the applicable requirements and believes that its approach to corporate governance is appropriate and works effectively for the Company and the Shareholders. The Company continues to monitor developments in Canada with a view to further revising its governance policies and practices, as appropriate.

### **Board of Directors**

Pursuant to National Instrument 52-110 – *Audit Committees* (“NI 52-110”), a director is considered to be independent if he or she has no direct or indirect material relationship with the Company that the Board believes could reasonably be perceived to materially interfere with his or her ability to exercise independent judgment. NI 52-110 sets out certain situations where a director is deemed to have a material relationship with the Company.

As of the date of this Circular, the Board is composed of three directors, all of whom, being Jon Edwards, Paul Morgan and Andrew Hale, have been determined to be independent based upon the criteria set forth in NI 52-110. The Board facilitates its exercise of independent supervision over the Company's management through meetings of the Board.

### **Other Directorships**

As of the date of this Circular, no directors are currently directors of other reporting issuers.

### **Board Orientation and Continuing Education**

The Board consists of directors who are familiar with the Company's industry or who bring particular expertise to the Board from their professional experience. The Board provides new directors with written information about the role of the Board, the nature and operation of the business of the Company and the contribution that individual directors are expected to make to the Board in terms of both time and resource commitments. Directors are expected to attend all meetings of the Board and are also expected to prepare thoroughly in advance of each meeting in order to actively participate in the deliberations and decisions.

The Board recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process. Through discussions and meetings with other directors, officers and employees, new directors will be provided with a thorough description of the Company's business, policies, properties, assets, operations and strategic plans and objectives. Orientation activities will be tailored to the particular needs and experience of each director and the overall needs of the Board.

While the Board does not have a formal orientation and training program for directors, the Board provides continuing education for directors on an ad hoc basis in respect of issues that are necessary for them to understand to meet their obligations as directors and enhance their abilities and ensure their knowledge of the business of the Company remains current. Board members are also encouraged to communicate with management, auditors, and consultants to keep themselves current with industry trends and developments and changes in legislation and to attend related industry seminars to ensure that each member of the Board maintains the skills and knowledge necessary to meet their obligations as directors. The Company and the Board also encourage directors and officers to participate in professional development programs and courses and supports management's commitment to training and developing employees.

### **Ethical Business Conduct**

As part of its responsibility for the stewardship of the Company, the Board seeks to foster a culture of ethical conduct by requiring the Company to carry out its business in line with high business and moral standards and applicable legal and financial requirements.

In exercising its powers and discharging its duties, the Board is required to act honestly and in good faith with a view to the best interests of the Company, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Board encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations; providing guidance to officers, directors, employees and consultants to help them recognize and deal with ethical issues; promoting a culture of honesty, integrity and accountability; and ensuring awareness of disciplinary action for violations of ethical business conduct.

The Board takes steps to ensure Directors exercise independent judgment in considering transactions and agreements in respect of which a director or an employee or consultant of the Company has a material interest, which includes ensuring that such individuals are familiar with rules concerning reporting conflicts of interest and obtaining direction from the Board or an officer of the Company regarding any potential conflicts of interest.

The Board has not adopted a written ethical business code of conduct for directors, officers and employees. However, the Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

The Board is also responsible for applying governance principles and practices, tracking development in corporate governance, and adapting "best practices" to suit the needs of the Company.

### **Nomination of Directors**

The Company does not have a stand-alone nomination committee. The full Board has responsibility for identifying potential Board candidates. The Board assesses the skills and other attributes of existing Board members and, in light thereof, identifies potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors believed to be required of Board members. The Board is responsible for reviewing candidates for election as directors and recommending director nominees for approval by the Board and election by Shareholders. The Board monitors and assesses the mix of skills and competencies required in order for the Board to fulfill its role effectively. The Board will also consider its size each year when it determines the number of directors to be nominated for election. Members of the Board and representatives of the industry are consulted for possible candidates. The Board may retain external consultants or advisors to conduct searches for appropriate potential director candidates if necessary.

### **Compensation**

The Board reviews the compensation of its directors and executive officers annually. The directors will determine compensation of directors and executive officers taking into account the Company's business ventures and the Company's financial position.

Pursuant to the Omnibus Plan, the Board determines, and initially takes on the role of, the Plan Administrator (as defined in the Omnibus Plan). The Plan Administrator determines which directors and officers (including the CEO), consultants and employees are eligible to receive awards under the Omnibus Plan, the times at which they are granted, the conditions under which they are granted, the number of Common Shares covered by an award, and other variables as set out in the Omnibus Plan based on such factors as the Plan Administrator may determine. For more information on the Omnibus Plan, see "*Statement of Executive Compensation – Incentive Plans*".

### **Other Board Committees**

The Company has no other committees other than the Audit Committee.

### **Assessments**

The Board is responsible for assessing the overall effectiveness of the Board as a whole, the committees of the Board and the contributions of individual directors. Directors are required to consider, among other things, the overall functioning and performance of the Board, the Board's standing committees and oversight thereof, the operational oversight of the Board, management structure and succession issues, the effectiveness of the Company's internal

controls and financial reporting, ethics and compliance matters and accountability. The Board regularly monitors the adequacy of information given to directors, communications between directors and management and the strategic direction and processes of the Board and its committees. All directors are also encouraged to make suggestions for improvement of the practices of the Board at any time.

### **AUDIT COMMITTEE DISCLOSURE**

Pursuant to NI 52-110, a reporting issuer is required to provide disclosure annually with respect to the Audit Committee, including the text of its audit committee charter, information regarding the composition of the audit committee, and information regarding fees paid to its external auditor. The Company provides the following disclosure with respect to the Audit Committee:

#### **The Audit Committee Charter**

The Audit Committee is responsible for reviewing and considering, in consultation with the auditors, the financial reporting process, the system of internal control and the audit process. In performing its duties, the Audit Committee maintains effective working relationships with the Board, management, and the external auditors. The Audit Committee is responsible for review of both interim and annual financial statements for the Company. The Audit Committee members meet periodically with management and annually with the external auditor.

The full text of the Audit Committee's Charter is disclosed in Schedule "B" attached hereto.

#### **Composition of the Audit Committee**

The Company's Audit Committee is currently comprised of three directors consisting of Paul Morgan, Andrew Hale and Jon Edwards. Each member of the Audit Committee is considered "independent" within the meaning of NI 52-110. All of the members of the Audit Committee are "financially literate" as defined in NI 52-110 as all of the members of the Audit Committee have the industry experience necessary to understand and analyze financial statements of the Company as well as the understanding of internal controls and procedures necessary for financial reporting.

#### **Relevant Education and Experience**

For the purposes of NI 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements. All members of the Audit Committee have experience reviewing financial statements and dealing with related accounting and auditing issues.

The following is a brief summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as an Audit Committee member:

##### *Paul Morgan*

Mr. Morgan is a practicing corporate/commercial lawyer and has a strong understanding of and experience with the review and analysis of financial statements. His relevant academic and professional credentials include: Bachelor of Arts (Economics) from the University of Victoria (2004); LLB (First Class Honours) from Canterbury Christ Church University (2011); and Member of the Law Society of British Columbia (since 2013).

##### *Andrew Hale*

Mr. Hale was the founding CEO and is a current director of the Company. Mr. Hale has a Bachelors of Science Degree in Aerospace Engineering from the U.S. Naval Academy (1984) and a Masters of Business Administration from the University of Massachusetts at Amherst (2006).

Jon Edwards

Mr. Edwards is an arbitrator for the British Columbia provincial government and has a strong understanding and experience with the review and analysis of financial statements. His relevant academic credentials include: Associate of Arts Degree (Criminology) from Camosun College (2006); Bachelor of Arts Degree (Justice) from Royal Roads University (2011); and Masters Degree (Conflict Analysis and Management) from Royal Roads University (2017).

### **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year, has any recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Company on behalf of the Board.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110.

### **Pre-Approval Policies and Procedures**

The Company has in the most recently completed financial year relied on Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*) in order to satisfy the pre-approval requirement in Subsection 2.3(4) of NI 52-110.

### **External Auditor Service Fees**

MNP is the current auditor of the Company, effective as of December 7, 2023. Davidson & Company was the former auditor of the Company until December 7, 2023. A Notice of Change of Auditor dated December 7, 2023 was filed under the Company's profile on SEDAR pursuant to Section 4.11 of NI 51-102 and is attached hereto as Schedule "A".

The following table sets out the fees for all services rendered by Davidson & Company, the Company's external auditors for the financial year ended December 31, 2022 and until December 7, 2023, and MNP, the Company's external auditors from and after December 7, 2023 for the financial year ended December 31, 2023.

<b>Year Ending</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit Related Fees<sup>(2)</sup></b>	<b>Tax Fees<sup>(3)</sup></b>	<b>All Other Fees<sup>(4)</sup></b>
December 31, 2023	\$207,000	Nil	\$2,600	Nil
December 31, 2022	\$211,550	Nil	\$19,000	Nil

#### **Notes:**

- (1) "Audit Fees" include fees for services rendered by the external auditors in relation to the audit and review of the Company's financial statements.
- (2) "Audit-Related Fees" include the aggregate audit related fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported as "Audit fees".
- (3) "Tax Fees" include the aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.
- (4) "All Other Fees" include the aggregate fees billed for products and services, other than "Audit fees", "Audit related fees" and "Tax fees" above.

### **Exemption**

Until Mr. Forbes' resignation as a director, the Company was relying on the exemption provided in Section 6.1 of NI 52-110 as the Company is a "venture issuer" and is exempt from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of NI 52-110.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available under the Company's profile on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com) and on the Company's website at [www.adastraholdings.ca](http://www.adastraholdings.ca).

Financial information concerning the Company's most recently completed financial year is provided in the Annual Financial Statements and the Annual MD&A. Inquiries, including requests for paper copies of the Annual Financial Statements and the Annual MD&A, may be made by contacting the Company at its office by mail at 5451 - 275 Street, Langley, British Columbia V4W 3X8.

### **APPROVAL**

The contents of this Circular and the sending thereof to the Shareholders, directors and the auditors of the Company, have been approved by the Board.

### **ON BEHALF OF THE BOARD OF DIRECTORS**

(signed) "*Jon Edwards*"

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Jon Edwards  
Director

**SCHEDULE "A"**  
**ADASTRA HOLDINGS LTD.**  
**CHANGE OF AUDITOR REPORTING PACKAGE**

See attached.

**ADASTRA HOLDINGS LTD.**

**NOTICE OF CHANGE OF AUDITOR**

VIA SEDAR

December 7, 2023

**TO: MNP LLP**

**AND TO: DAVIDSON & COMPANY LLP**

**CC: British Columbia Securities Commission (Principal Regulator)  
Ontario Securities Commission  
Alberta Securities Commission**

**RE: Notice of Change of Auditors dated effective December 7, 2023  
Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*  
(the "Instrument") of the Canadian Securities Administrators**

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Adastra Holdings Ltd. (the "**Company**") hereby provides notice pursuant to the Instrument of a change of auditor by the Company from Davidson & Company LLP (the "**Former Auditors**") to MNP LLP (the "**Successor Auditors**").

The Company confirms that:

- (a) The Company has decided to change its auditor from the Former Auditors to the Successor Auditors. The Former Auditors submitted their resignation effective December 7, 2023. The Successor Auditors have agreed to their appointment as the Company's new auditors.  
  
At the next annual general meeting of the Company, the shareholders of the Company will be asked to approve the appointment of the firm, MNP LLP, as Successor Auditors.
- (b) There were no reservations contained in the Former Auditors' reports for either of the Company's two most recently completed fiscal years or for any period subsequent thereto for which an audit report was issued, preceding the date of this notice.
- (c) The resignation of the Former Auditors and the appointment of the Successor Auditors have been recommended by the Audit Committee of the Board of Directors of the Company (the "**Board**") and approved by the Board.
- (d) In the opinion of the Company, no "reportable events", as that term is defined under Section 4.11(1) of the Instrument have occurred prior to the date of this notice.

The Company requested that each the Former Auditors and Successor Auditors provide the Company with a letter, in digital format, addressed to the securities administrators in each province in which the Company is a reporting issuer stating whether or not it agrees with the above statements. A copy of each such letter to the securities administrators will be filed with this notice.

Yours truly,

**ADASTRA HOLDINGS LTD.**

*"Michael Forbes"*

Michael Forbes  
CEO



December 7, 2023

TO: British Columbia Securities Commission  
Ontario Securities Commission  
Alberta Securities Commission

Dear Sir/Madam:

**Re: Adastra Holdings Ltd. (the "Company")**

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We have read the Notice of Change of Auditor of Adastra Holdings Ltd. dated December 7, 2023 (the "Notice"), which we understand will be filed pursuant to National Instrument 51-102.

Based on the information available to us, we agree with the statements set out in the Notice as it relates to our firm. We advise that we have no basis to agree or disagree with the comments in the Notice relating to Davidson & Company LLP.

Yours truly,



MNP LLP

Chartered Professional Accountants

December 8, 2023

**British Columbia Securities Commission  
Ontario Securities Commission  
Alberta Securities Commission**

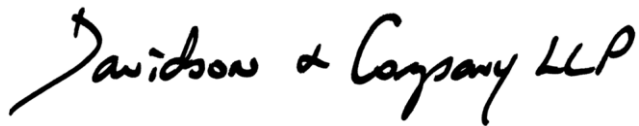
Dear Sirs / Mesdames

**Re: Adastra Holdings Ltd. (the "Company")  
Notice Pursuant to NI 51 – 102 of Change of Auditor**

In accordance with National Instrument 51-102, we have read the Company's Change of Auditor Notice dated December 7, 2023, and agree with the information contained therein, based upon our knowledge of the information at this date.

Should you require clarification or further information, please do not hesitate to contact the writer.

Yours very truly,



**DAVIDSON & COMPANY LLP**  
Chartered Professional Accountants

**cc: Canadian Securities Exchange (CSE)**



**SCHEDULE "B"**  
**ADASTRA HOLDINGS LTD.**  
**AUDIT COMMITTEE CHARTER**

See attached.

**Consolidated Gulfside Resources Ltd.**  
**(the "Corporation")**

**AUDIT COMMITTEE CHARTER**

**1. Mandate**

The audit committee will assist the board of directors (the "Board") in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well and the Corporation's business, operations and risks.

**2. Composition**

The Board will appoint from among their membership an audit committee after each annual general meeting of the shareholders of the Corporation. The audit committee will consist of a minimum of three directors.

*2.1 Independence*

A majority of the members of the audit committee must not be officers, employees or control persons of the Corporation.

*2.2 Expertise of Committee Members*

Each member of the audit committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the committee must have accounting or related financial management expertise. The Board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications.

**3. Meetings**

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Corporation's Chief Financial Officer and external auditors in separate executive sessions.

**4. Roles and Responsibilities**

The audit committee shall fulfill the following roles and discharge the following responsibilities:

*4.1 External Audit*

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors; and

- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

#### 4.2 *Internal Control*

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Corporation. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Corporation; and
- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

#### 4.3 *Financial Reporting*

The audit committee shall review the financial statements and financial information prior to its release to the public. In carrying out this duty, the audit committee shall:

##### *General*

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and
- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

##### *Annual Financial Statements*

- (c) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (d) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and
- (e) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

##### *Interim Financial Statements*

- (f) review and approve the interim financial statements prior to their release to the public; and
- (g) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

##### *Release of Financial Information*

- (h) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

#### 4.4 *Non-Audit Services*

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Corporation or any subsidiary of the Corporation shall be subject to the prior approval of the audit committee.

##### *Delegation of Authority*

- (a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

*De-Minimis Non-Audit Services*

- (b) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
  - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Corporation and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or
  - (ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

*Pre-Approval Policies and Procedures*

- (c) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
  - (i) the pre-approval policies and procedures are detailed as to the particular service;
  - (ii) the audit committee is informed of each non-audit service; and
  - (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

**4.5** *Other Responsibilities*

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board; and
- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

**4.6** *Reporting Responsibilities*

The audit committee shall regularly update the Board about committee activities and make appropriate recommendations.

**5. Resources and Authority of the Audit Committee**

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the audit committee; and
- (c) communicate directly with the internal and external auditors.

**6. Guidance – Roles & Responsibilities**

The following guidance is intended to provide the Audit Committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

6.1 *Internal Control*

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and
- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

6.2 *Financial Reporting*

*General*

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Corporation's adoption of them.

*Annual Financial Statements*

- (d) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Corporation reports or trades its shares;
- (e) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (f) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (g) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (h) ensure that the external auditors communicate all required matters to the committee.

*Interim Financial Statements*

- (i) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (j) meet with management and the auditors, either telephonically or in person, to review the interim financial statements; and
- (k) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
  - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
  - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financials statements are consistent with changes in the Corporation's operations and financing practices;
  - (iii) generally accepted accounting principles have been consistently applied;
  - (iv) there are any actual or proposed changes in accounting or financial reporting practices;

- (v) there are any significant or unusual events or transactions;
- (vi) the Corporation's financial and operating controls are functioning effectively;
- (vii) the Corporation has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and
- (viii) the interim financial statements contain adequate and appropriate disclosures.

6.3

*Compliance with Laws and Regulations*

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

6.4

*Other Responsibilities*

- (a) review, with the Corporation's counsel, any legal matters that could have a significant impact on the Corporation's financial statements.