



Adastra Holdings CEO Provides Corporate Update



Langley, BC / September 8, 2021 – Adastra Holdings Ltd. (formerly Phyto Extractions Inc.) (CSE: XTRX) (Frankfurt: D2EP) ("Adastra" or the "Company"), a leader in innovative ethnobotanical and cannabis science products, is pleased to provide the Company's shareholders with a corporate update from Michael Forbes, Director and Chief Executive Officer of Adastra.

"Dear Shareholders,

Over the last quarter, there have been several key developments that I'd like to share.

We have restructured Adastra's operations to be leaner and far more cost-efficient, allowing Adastra to reduce its monthly expenses by \$70,000 in Q2 2021 compared to Q4 2020 whilst simultaneously increasing production output. Having done so, Adastra can now focus more on the following key growth sectors, which we anticipate will create far more value for our shareholders:

1. Medical Extraction

We believe that medical extraction is poised to be a growing sector as big pharmacies, retailers, and various demographics use cannabis as an alternative to mainstream pain rubs, anxiety medications,



sleeping aids, and pain relievers. In addition, with support from medical doctors, Adastra intends to develop topical body creams, cosmetic creams, capsules, and tinctures to address a growing international market segment.

2. Premium Branded Extraction Products

The Company intends to release Phyto Platinum and Gold Vape Pens in the near future. Premium, full-spectrum craft biomass will be extracted using hydrocarbons to create our vape product and marketed to upmarket consumers. This is anticipated to be a popular product among those who prefer premium, full-spectrum products with cannabis-derived terpenes. We believe this move will position Adastra to take full advantage of a shift in Canadian cannabis consumer preference towards premium craft products.

3. Flower Products

The Phyto Extractions brand is rapidly becoming a household name and enjoys shelf space in over 1,300 retailers across Canada. To leverage Phyto Extractions' brand recognition and retail footprint, we plan to offer dried cannabis targeted at the cost-conscious and the premium craft markets. This will include pre-rolls and dried flower offerings.

4. Drug Formulation

On the production front, I am thrilled to report that Adastra has been accepted for review by Health Canada for a Dealer's Licence to possess and conduct activities with controlled substances legally. Once approved, Adastra's 13,500 sq. ft. lab will be permitted to assess and formulate MDMA, LSD, and Psilocybin into new proprietary delivery systems and formulations to address anticipated market demand. Pending Health Canada approval, Adastra is poised to be a drug formulation and development leader in this exciting new sector.

With the recent acquisition of PerceiveMD, Adastra acquired a multidisciplinary centre for medical cannabis and psychedelic therapies, which we believe will support new regulated formulations and delivery systems for innovative treatments. We anticipate that Adastra will work alongside doctors and healthcare professionals within the regulated environment to help create superior drugs that address the actual needs of patients.

Additionally, Adastra has been busy creating new hydrocarbon-derived cannabis extract products to follow on the successful launch of Phyto Extractions Shatter into the Canadian market and to satisfy growing demand. In the coming months, we anticipate listing several new products across the country. These will include the already announced shatter pen, along with sugar waxes and crumbles. In addition, we will continue to convert legacy consumers to the regulated space by offering tested, safe, high-quality products at attractive prices.

5. Strength of Sales

The strength of Phyto Extractions sales initiatives is beginning to pay off. Boots on the ground brand representatives from coast-to-coast have contributed to a 190% growth in revenues for the three months ended June 30, 2021, over the same period last year. We expect sustained robustness in sales for forthcoming quarters as market share expands and new products enter the market. In July and Aug 2021,



the Company generated over \$990,000 in unaudited gross revenue, bolstering our strongest sales quarter-to-date.

6. Global Strategy

Over the coming months, Adastra intends to aggressively pursue opportunities with carefully selected partners in strategic locations around the globe. We currently have several ongoing discussions, and I look forward to announcing upon entry into binding agreements.

7. Conclusion

As CEO, it is my responsibility to lead Adastra towards our goal of becoming a significant player in the cannabis and psychedelic space. I feel a tremendous responsibility to return maximum value to our employees, stakeholders, and shareholders, and I have been and will continue to work tirelessly towards that goal. I would like to thank the past management team for driving the Company to where it is today. Without your hard work and dedication, Adastra would not have the top-tier facility it has today. However, to get to where we want to go, we need change. To that end, we've been busy onboarding experienced senior management and directors to manage growth properly and who are passionate about taking the Company to the next phase of our exciting journey.

As a cannabis retailer, licensed producer, pharmacist, and entrepreneur, I look forward to taking Adastra beyond Blue Skies and into even greener pastures."

About Adastra Holdings Ltd.

From its inception, Adastra has built a successful reputation as a household name in cannabis concentrates among consumers and retailers alike. Adastra Labs Inc. is an agricultural-scale cannabis extraction, distillation, and product manufacturer, located in Langley, BC. Operating out of its 13,500 sq. ft. Health Canada Licensed Standard Processing facility, Adastra, produces and distributes cannabis-derived products designed for medical cannabis and forward-looking therapeutic use.

Known for its renowned cannabis concentrate products, Adastra has now successfully taken the first steps in becoming a licensed cultivator, tester, extractor, and seller of controlled substances, including Psilocybin, Psilocin, MDMA, N, N-Dimethyltryptamine (DMT), 5-MeO-DMT, and LSD by applying for a Controlled Substances Dealer's Licence, which is under review by Health Canada.

As a leading supplier, Adastra Holdings Ltd. currently distributes its product line to 1400+ adult-use retailers and a web-based medical platform, CannMart Inc., seeking to provide consistent, quality concentrate products and alternative treatment options across the country to patients.

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ON BEHALF OF THE BOARD
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Forward-Looking Information:

This news release includes forward-looking information within the meaning of Canadian securities legislation, concerning the business of the Company. Forward-looking information is based on certain key expectations and assumptions made by the management of the Company. Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct. Forward-looking information in this news release include: (i) the Company's focus on the enumerated key growth sectors which the Company anticipates will create far more value for our shareholders; (ii) the belief that medical extraction is poised to be a growing sector; (iii) the intention to develop topical body creams, cosmetic creams, capsules, and tinctures; (iv) the intention to release Phyto Platinum and Gold Vape Pens in the near future and that such development will position Adastra to take full advantage of a shift in Canadian cannabis consumer preference towards premium craft products; (v) pending Health Canada approval, Adastra is poised to be a drug formulation and development leader in the drug formulation sector; (vi) the belief that the acquisition of PerceiveMD will support new regulated formulations and delivery systems for innovative treatments and that Adastra will work alongside doctors and healthcare professionals within the regulated environment to help create superior drugs that address the actual needs of patients; (vii) in the coming months, the Company anticipates listing several new Cannabis extract products across the country including shatter pens, along with sugar waxes and crumbles; and (viii) over the coming months, the Company intends to aggressively pursue opportunities with carefully selected partners in strategic locations around the globe. There are numerous risks and uncertainties that could cause actual results and the Company's plans and objectives to differ materially from those expressed in the forward looking information, including: (i) adverse market conditions; (ii) risks inherent in the cannabis extraction sector in general; (iii) changes in regulations surrounding the cannabis, cannabis extraction and controlled substances; (iv) inability to close announced transactions for any reason; (v) inability to obtain a Dealer's Licence from Health Canada to legally possess and conduct activities with controlled substances; (vi) inability to execute on the Company's stated business and growth plan; and (vii) other factors beyond the control of the Company. Actual results and future events could differ materially from those anticipated in such information. These and all subsequent written and oral forward-looking information are based on estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice. Except as required by law, the Company does not intend to update these forward-looking statements.

This news release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about the Company's expected gross revenue in July and August 2021, which is subject to the same assumptions, risk factors, limitations, and qualifications as set out in the above paragraphs. The actual financial results of the Company for Q3 2021 may vary from the amounts set out herein and such variation may be material. The Company and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments. However, because this information is subjective and subject to numerous risks, it should not be relied on as



necessarily indicative of future results. Except as required by applicable securities laws, the Company undertakes no obligation to update such FOPI. FOPI contained in this news release was made as of the date hereof and was provided for the purpose of providing further information about the Company's anticipated future business operations. Readers are cautioned that the FOPI contained in this news release should not be used for purposes other than for which it is disclosed herein.

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