

XTRACTION SERVICES REPORTS FIRST QUARTER 2020 FINANCIAL RESULTS

LOS ANGELES, CA, June 1, 2020 -- Xtraction Services Holding Corp., ("Xtraction Services", "XS" or the "Company") (CSE: XS) (OTCQB: XSHLF) a specialty finance company engaged in equipment leasing in the United States, announced today results for the quarter ending March 31, 2020 ("Q1/20"). The Company's unaudited interim condensed Financial Statements ("FS") and Management Discussion & Analysis ("MDA") are available under the Company's profile on www.sedar.com, and on the corporate website at www.xtractnow.com. All figures are expressed in United States dollars (\$) unless otherwise stated.

David Kivitz, Chief Executive Officer of XS commented, "We continue to see improvements quarter over quarter and expect this trend to continue throughout 2020. We have seen tremendous growth in our pipeline, where the quality of the customer base has strengthened, as illustrated by our most recent transaction. We are working diligently to capitalize on the increase through our pipeline and look forward to providing updates as they become available. We have noted an uptick in demand during the Covid-19 pandemic for cannabis, as many states have deemed cannabis retailers an essential business. We see this as extremely positive for XS, and the industry as a whole."

Q1/20 Highlights:

- **Revenues** of \$300,045 for Q1/20, compared to \$541,317 for the same period of the previous year ("Q1/19").
- **Gross Profit** of \$77,263 for Q1/20 compared to a gross loss of \$92,720 for Q1/19.
- **Operating Expenses** of \$504,968 for Q1/20 compared to \$1,057,057 for Q1/19.
- **Net Cash Used in Operating Activities** of \$(296,140) for Q1/20 compared to \$(699,997) for Q1/19
- **Net Loss** of \$2,607,099 million compared to a loss of \$5,142,741 for Q1/19.
- **Adjusted Net Lossⁱ** of \$549,860 compared to a loss of \$1,383,529 in Q1/19.
- **Cash on hand at Q1/20** of \$2,191,354 (working capital of \$2,448,341).

i) *Adjusted Net Loss is a non-IFRS financial performance measure with no standard definition under IFRS. Adjusted Net Loss is calculated as Net Loss per IFRS adjusted for the non-cash unrealized loss in the change in the fair value of investments, non-cash change in fair value of derivative liabilities and non-cash accretion expense.*

Recent Corporate Highlights:

- **New Leasing Agreement with Lehua Group USA, LLC ("Lehua"):** Entered into a leasing agreement with a multi-state, licensed cannabis processor specializing in THC-infused beverages.
- **Acquired California Lenders License:** The acquisition of the lender license allows XS to significantly expand its lending and financing capabilities in the State of California.
- **Partnership with KushCo Holdings Inc. ("KushCo"):** Entered into a strategic partnership with this premier producer of ancillary products and services to the legal cannabis and CBD industries, with KushCo taking a 19.9% ownership position in XS.
- **Cash Conservation Initiatives Take Effect:** To ensure conservation of cash during the Covid-19 pandemic, the XS team, including the board of directors, management, employees and, consultants agreed to a reduction in cash compensation during the second quarter of 2020.
- **New Leasing Agreement with PharmaCann Inc. ("PharmaCann"):** Entered into a leasing agreement with one of the largest privately held and vertically-integrated cannabis companies in the U.S.

Key Financial Results

Results of Operations

The Company has established key customer relationships, some of which became revenue-generating in 2019, with the remainder of its established customers generating revenue in 2020. Revenues of \$300,045 for Q1/20, decreased by \$241,272 when compared to revenue of \$541,317 for Q1/19. The decrease in revenue was directly attributable to the recognition of revenue in 2019 from an equipment sale to a single customer that was fully paid for in October 2018 but delivered and installed throughout 2019. The above

decrease is partially offset by approximately a \$288,000 increase in revenue recognized through financing and operating leases entered into in 2019 and 2020.

Cost of sales for Q1/20 were \$222,282 compared with \$634,037 for Q1/19. The decrease of \$411,755 in Q1/20 compared to Q1/19 was primarily attributable to cost of the equipment purchases made in 2019 related to the direct sale of equipment to a single customer, as discussed above. To a lesser degree, the decrease is attributable to a reduction in compensation and related expenses for personnel providing services to customers. The above decreases are partially offset by increased equipment costs associated with a financing lease entered into in January of 2020.

The Company realized a gross profit of \$77,263 for Q1/20, compared to a gross loss of \$(92,720) for Q1/19. The Company anticipates further gross margin improvements due to the curtailment of excess equipment sales and new leasing activity.

Operating expenses of \$504,968 for Q1/20 decreased by \$552,089 when compared to operating expenses of \$1,057,057 for Q1/19, mainly due to a decrease in administrative expenses of \$521,317 in Q1/20 over Q1/19. This decrease was attributable to reduction in non-cash incentive compensation and third-party contractors from 2019 to 2020. Sales and marketing expenses decreased by \$31,041 to \$46,091 in Q1/20 compared to \$77,133 in Q1/19, driven by a reduction in professional fees related to marketing consulting.

Net cash used in operating activities for Q1/20 was \$(0.30 million) and an improvement as compared to net cash used in operating activities of \$(0.70 million) for Q1/19. On a per share basis, this equated to cash flow per share (“**CFPS**”) of \$(0.01) for Q1/20 as compared to \$(0.03) in Q1/19. This improvement was predominantly derived from gross margin improvements and reduced administrative & marketing expenses costs though partially offset by an increase in working capital items. See table below for quarter over quarter comparison of cash flow per share and earnings per share from Q1/19 to Q1/20.

Cash Flow Per Share and Earnings Per Share (“EPS”)

Comparative table illustrating changes in CFPS and EPS for Q1/19, the period ending June 30, 2019 (“Q2/19”), the period ending September 30, 2019 (“Q3/19”), the period ending December 31, 2019 (“Q4/19”), and Q1/20.

	<u>Q1/19</u>	<u>Q2/19</u>	<u>Q3/19</u>	<u>Q4/19</u>	<u>Q1/20</u>
Cash Flow Per Share	\$ (0.03)	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.01)
Earnings Per Share	\$ (0.16)	\$ (0.05)	\$ (0.01)	\$ 0.04	\$ (0.05)

The Company realized a loss of \$2,607,099 for Q1/20 compared to a loss of \$5,142,741 for Q1/19. After adjusting for non-cash items including unrealized loss in fair value change of investments, change in fair value of derivative liabilities & accretion expense, the Company reported an adjusted net loss of \$549,860 compared to a loss of \$1,383,529 in Q1/19. The Company anticipates further improvements throughout 2020 due to new leasing activity, the curtailment of excess equipment sales, significant cost reduction initiatives, and the absence of one-time costs related to the reverse takeover transaction.

Liquidity and Capital Resources

The Company’s liquidity needs are primarily to finance growth initiatives, including equipment acquisition, leasing activities, debt services and for general corporate purposes.

At Q1/20, the Company had working capital of \$2,448,341 (compared to a working capital deficit of \$1,802,038 at Q1/19), including cash of \$2,191,354 (compared to \$2,487,293 at Q1/19). The increase in working capital by \$0.65 million, was primarily attributable to the shares received in KushCo recognized as an investment, partially offset by the funding of operations and purchase of servicing equipment. The Company also notes that its investment in KushCo is marked-to-market quarterly and at May 29th close, KushCo share price appreciated by approximately 82% since March 31, 2020.

Additional information and disclosure relating to the Company's financial position for Q1/20, is available within the FS and MDA, both of which are available under the Company's profile at www.sedar.com.

Outlook

Xtraction Services continues to assess numerous leasing opportunities and intends to pursue those that align with its growth objectives in the United States. Target leasing opportunities will mainly consist of leases to businesses underpinned by recurring, predictable revenues, sound balance sheets, and experienced management teams.

Current Pipeline:

- Currently have multiple signed term sheets and maintain a robust pipeline with approximately 36 leasing opportunities under review
- Increase in leasing demand from Original Equipment Manufacturers' (OEM) as customers are requesting financing options
- Increase in leasing opportunities to higher-quality, larger companies

In light of the current environment, the Company continues to offer its customers lower-cost, efficient non-dilutive financing and leasing solutions. XS has become a recognized brand in the industry, as evidenced by an increase in the quality and number of leads available. The Company remains committed to establishing strong customer relationships with leading operators and OEMs, which will provide better returns for shareholders and stakeholders alike.

Business Model and Revenue Streams

Xtraction Services currently provides equipment leasing solutions and purchase options for cannabis and hemp operators. The Company works directly with equipment vendors to provide point of sale leasing options as well as working directly with manufacturers across the supply chain.

Equipment Sales & Procurement: Xtraction Services' team is experienced in identifying and sourcing the right equipment to meet the distinctive needs of each customer. Through the Preferred Vendor Program, the Company has access to an expansive variety of equipment, enabling Xtraction Services to source the right equipment from the right vendor with attractive payment options.

Equipment Leasing Solutions: Equipment leasing solutions offer customers the ability to defer significant up-front capital across manageable monthly payments with flexible terms and, affordable down payments. Term lengths generally range from 24-48 months and are considered on an individual basis.

Sale-Leaseback Solutions: The sale-leaseback offering allows customers the opportunity to leverage existing equipment to unlock working capital for general operating expenses, expansion equipment, and growth initiatives without any disruption to existing operations. The sale-leaseback allows Xtraction Services to diversify and scale its portfolio of customers while also allowing OEM partners to leverage their existing client base.

Customer Support: Xtraction Services' provides a customer-focused experience and underwriting process. Whether it is working with our customers' finance team to identify the appropriate lease structure for state tax implications, to working with the procurement team to identify equipment from our Preferred Vendors, XS is focused on the customer first. The organization provides quality support and full transparency throughout the entire leasing process. With a multifaceted understanding of the industry, its suppliers, and the regulatory environment, XS can structure a custom lease solution tailored to specific needs.

About Xtraction Services

Founded in 2017, XS specializes in providing equipment leasing solutions in the United States to owner/operators of cannabis and hemp companies, including cultivators, oil processors, manufacturers, testing laboratories, among others. In addition, XS provides a full range of consulting services including equipment selection and procurement, through its network of preferred vendor partnerships with original

equipment manufacturers and equipment distributors. This powerful dynamic provides an end-to-end solution for customers, which results in recurring revenues, strong profit margins, and a proven business model for XS stakeholders.

For more information please contact Xtraction Services:

David Kivitz
Chief Executive Officer

Antony Radbod
SVP, Sales and Marketing

Tel: 1-407-900-4737 Ext. 5

Email: ir@xtractnow.com

www.xtractnow.com

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Forward-Looking Information

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Forward-looking information does not guarantee future performance and involve risks, uncertainties and assumptions which are difficult to predict. Accordingly, readers should not place undue reliance on forward-looking information, which are qualified in their entirety by this cautionary statement. Xtraction Services does not undertake any obligation to release publicly any revisions for updating any voluntary forward-looking information, except as required by applicable securities law.

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