

Xtraction Services Enters Into Strategic Partnership With KushCo Taking a 19.9% Ownership Position

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LOS ANGELES--(BUSINESS WIRE)--January 31, 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 that it has entered into a definitive agreement (the “**Definitive Agreement**”), and Strategic Partnership and Cooperation Agreement (the “**SPCA**”), with KushCo Holdings Inc. (“**KushCo**”) (OTCQX: KHSB), the premier producer of ancillary products and services to the legal cannabis and CBD industries, with regards to KushCo taking a minority ownership position in XS (the “**Transaction**”).

David Kivitz, Chief Executive Officer of XS, commented, “Since 2017, we have worked diligently to create a Company which offers a robust selection of leasing solutions to meet the unique demands of our customers while reducing the need for large upfront capital and excessive dilution. We have forged strong and lasting relationships with our vendor partners to create diverse and scalable equipment offerings; and, our sale-leaseback product affords us the ability to create new vendor partnerships, while allowing our customers to unlock invested capital with no disruption to their business. Our success has paid off, and we are pleased to forge this new partnership with KushCo, which will allow both companies to continue our respective growth initiatives, while utilizing each of our strengths to support one another.

“KushCo is a recognized and respected cannabis company with a global footprint. As early adopters to the industry and one of the largest ancillary companies serving our vertical, this partnership provides direct access to 1,000s of potential customers for XS, immediately increasing our customer pipeline and providing a distinguished stamp of approval for our leasing services. KushCo’s sales and marketing arm will be an invaluable resource to provide greater visibility for the Company. The ability to partner with a company of this magnitude is a tremendous opportunity for us, and we look forward to the establishment of this cooperative effort.”

Nick Kovacevich, Chief Executive Officer and Co-founder of KushCo, commented, “For the past several months, we have been evaluating ways in which we can successfully enter the equipment financing arena, which we identified early on as being another growth driver and margin accretive business that can significantly complement our existing ecosystem of ancillary products and services. After much due diligence and internal review, we realized that an investment and partnership with Xtraction Services—who has already built a robust equipment financing platform including relationships with more than 70 OEMs and distributors across the laboratory, testing, processing, and extraction space—is the best option for KushCo and our customers. We can now not only indirectly offer our customers the equipment financing solutions they have been requesting but also, in the case of CBD, directly facilitate the delivery of the hemp biomass that will be used in the extraction process as well as delivery of the offtake products to our network of brands

whom we are helping place into mainstream retail. Altogether, this strategic move represents an excellent entry point to provide highly demanded equipment financing solutions to our customers, generate attractive recurring revenue streams and higher margins, and cross-sell our customer base even further to earn a bigger piece of every transaction in the cannabis and CBD industries.”

Strategic Partnership and Cooperation Agreement

The SPCA will allow both parties to facilitate the establishment of a long term and stable cooperation to share the development of opportunities. Synergies include but are not limited to the participation in joint marketing and promotional campaigns (including PR, tradeshows, co-branding). XS will have a right of first refusal to provide leasing services to any and all of KushCo’s current and future customers; and KushCo will be given right of first refusal to provide its products to any and all of XS’s current and future customers.

Definitive Agreement

As part of the Definitive Agreement, XS will issue 10,600.3 Proportionate Voting Shares (the “**Voting Shares**”), in the Company to KushCo, resulting in KushCo owning 19.9% of XS on a basic outstanding shares basis (assuming all of the Voting Shares convert into Subordinate Voting Shares “**Common Shares**”). KushCo will in turn, issue to XS 1,653,081 common shares in KushCo, which is equal to the value of KushCo’s 19.9% ownership position in XS. Mr. Stephen Christoffersen, the Executive Vice President of Corporate Development with KushCo, is also a member of the board of directors of XS and has recused himself from any dealings with respect to this partnership.

The price per share of the XS shares to be issued to KushCo and the KushCo shares to be issued to XS were determined by the volume weighted average price (“**VWAP**”) of the Common Shares for each respective company, for the last ten (10) days of trading prior to the execution of the Definitive Agreement. The 10,600.3 XS Voting Shares issued will remain restricted for a period of twelve (12) months from the date of issuance, after which time they will become free trading (subject to any applicable securities laws). For a period of twelve (12) months from the date of issuance, XS will require prior written consent from KushCo in order to trade the securities, after which time they will become free trading (subject to any applicable securities laws). KushCo will have the pre-emptive right to subscribe for and maintain its proportional interest as of the closing date of the Transaction in the event of any future equity financings (subject to any applicable securities laws and assuming KushCo maintains a 10% ownership position in XS).

About KushCo

Founded in 2010, KushCo has now sold more than 1 billion units and regularly services more than 6,000 legally operated medical and adult-use growers, processors, and producers across North America, South America, and Europe. KushCo maintains facilities in the five largest U.S. cannabis markets with a local sales presence in every major cannabis market across the U.S. and Canada.

KushCo strives to be the industry leader for responsible and compliant products and services in the cannabis industry. While KushCo services all facets of the cannabis industry, it has no direct involvement with the cannabis plant or any products that contain THC or CBD.

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. Furthermore, XS also provides a full range of all on-site support services including staff recruitment, process development, and product formulation. 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.

Neither the Canadian Securities Exchange nor its Regulation Services Provider accepts responsibility for the adequacy or accuracy of this release.

Forward-Looking Information

This press release contains "forward-looking information" and may also contain statements that may constitute "forward-looking statements", collectively "forward-looking information", within the meaning of applicable Canadian securities legislation. Such forward-looking information is not representative of historical facts or information or current condition, but instead represent the beliefs and expectations regarding future events about the business and the industry and markets in which Xtraction Services operates, as well as plans or objectives of management, many of which, by their nature, are inherently uncertain. Generally, such forward-looking information can be identified by the use of terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". Forward-looking information contained herein may include but is not limited to, the potential increase in the sales pipeline as a result of the partnership; and any additional leasing opportunities and the ability to capitalize on such and the timing thereof.

Forward-looking information is not a guarantee of 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.

This press release does not constitute an offer to sell nor a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under

the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. Not for distribution to U.S. newswire services or for dissemination in the United States. Any failure to comply with this restriction may constitute a violation of U.S. securities laws.

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