

**FORM 51-102F3**  
**Material Change Report**

**MATERIAL CHANGE REPORT UNDER SECTION 7.1 OF  
NATIONAL INSTRUMENT NO. 51-102**

**Item 1.**                    **Reporting Issuer**

XS Financial Inc. (the “**Company**”)  
1901 Avenue of the Stars, Suite120  
Los Angeles, California 90067

**Item 2.**                    **Date of Material Change**

A material change took place on July 13, 2020.

**Item 3.**                    **Press Release**

On July 13, 2020, a news release in respect of the material change was disseminated by the Company.

**Item 4.**                    **Summary of Material Change**

The Company announced that it had closed its previously announced acquisition of a California Lenders License through the purchase of a local entity in consideration of the issuance of an aggregate of 450,671 subordinate voting shares and a cash payment of US\$13,651.

**Item 5.**                    **Full Description of Material Change**

The material change is described in the Company's press release attached hereto as Schedule "A", which press release is incorporated by reference herein.

**Item 6.**                    **Reliance on subsection 7.1(2) of National Instrument 51-102**

The report is not being filed on a confidential basis.

**Item 7.**                    **Omitted Information**

No information has been omitted.

**Item 8.**                    **Executive Officer**

Joe Fazzini

**Item 9.**                    **Date of Report**

DATED at Los Angeles, in the State of California, this 17<sup>th</sup> day of July, 2020.

**SCHEDULE "A"**

**[See attached]**

## **XS FINANCIAL ANNOUNCES CLOSING OF CALIFORNIA LENDERS LICENSE ACQUISITION**

**LOS ANGELES, July 13, 2020 -- XS Financial Inc., (“XS Financial”, “XS” or the “Company”)** (CSE:XSJ) (OTCQB: XSHLF), a specialty finance company engaged in equipment leasing in the United States, announced today that it has closed the acquisition of a California Lenders License (“CFL”), through the purchase of a local entity (the “**Target Company**”), in California as previously announced (see press release dated January 27, 2020). The Company has issued today, 450,671 subordinate voting shares (“**common shares**”) of XS at a price of \$0.29 per share, subject to a 12-month lockup, and made a cash payment of US\$13,651 in consideration of the acquisition of all of the issued and outstanding shares of the Target Company.

The acquisition of the lender license allows XS to significantly expand its lending and financing capabilities in the state of California (“**CA**”). The Company expects the license to play a crucial role given the steady increase in inbound requests from customers with business operations in CA.

**David Kivitz, Chief Executive Officer of XS commented**, “We are thrilled to have obtained our California Lenders License. It is estimated that California will represent as much as one in four of all dollars spent in the U.S. on legal cannabis by 2024. While once very fragmented, we are seeing the emergence of true manufactures in the market and will continue to assist growth with quality operators.”

### **About XS Financial**

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.

Visit [www.xsfinancial.com](http://www.xsfinancial.com) for more information or contact XS Financial at:

**David Kivitz**  
Chief Executive Officer

**Antony Radbod**  
SVP, Sales and Marketing

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*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 XS Financial 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 anticipated inflow of leads from the California market and the ability to sign any new leases and the timing thereof.*

*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. XS Financial 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.*