

**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”)  
301 - 1665 Ellis Street  
Kelowna, British Columbia  
V1Y 2B3

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

A material change took place effective March 3, 2021

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

On March 3, 2021, 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 completed its previously announced private placement (the “Offering”) consisting of (i) a brokered offering of 26,666,700 units (“Units”) at a price of C\$0.30 per Unit; and (ii) a non-brokered offering of 12,593,031 Units at a price of C\$0.30 per Unit and 5,251 proportionate voting units of the Company (“PVS Units”) at a price of C\$300 per PVS Unit, to raise aggregate gross proceeds of C\$13,353,219.

**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.

The Company announced that it had completed the Offering consisting of (i) a brokered offering of 26,666,700 Units at a price of C\$0.30 per Unit; and (ii) a non-brokered offering of 12,593,031 Units at a price of C\$0.30 per Unit and 5,251 PVS Units at a price of C\$300 per PVS Unit, to raise aggregate gross proceeds of C\$13,353,219.

Pursuant to the financing, Archytas Ventures LLC (“Archytas”) subscribed for an aggregate of 5,251 PVS Units at a price of \$300 per PVS Unit. Archytas is an insider of the Company, and is controlled by Messrs. David Kivitz and Antony Radbod, each of whom are also insiders of the Company. As of March 3, 2021 immediately prior to the closing of the financing, Archytas held an aggregate of 1,278,619 subordinate voting shares of the Company (“SV Shares”), 10,761.311 proportionate voting shares of the Company (“PV Shares”) and convertible securities entitling Archytas to acquire an additional 693,728 SV Shares, representing approximately 4.0% of the issued and outstanding SV Shares and approximately 46.6% of the issued and outstanding PV Shares (and approximately 22.7% of the issued and outstanding SV Shares on a partially diluted basis assuming conversion of such PV Shares and exercise of such

convertible securities held by Archytas only). Following the closing of the financing, Archytas holds an aggregate of 1,278,619 SV Shares, 16,012,311 PV Shares and convertible securities entitling Archytas to acquire an additional 693,728 SV Shares and 5,251 PV Shares, representing approximately 1.8% of the issued and outstanding SV Shares and approximately 56.5% of the issued and outstanding PV Shares post-closing (and approximately 21.6% of the issued and outstanding SV Shares on a partially diluted basis assuming conversion of such PV Shares and exercise of such convertible securities held by Archytas only).

The financing was approved by the board of directors pursuant to directors' resolutions dated February 22, 2021. The transaction is exempt from the formal valuation and minority shareholder approval requirements of applicable securities laws as at the time the financing was agreed to, neither the fair market value of the subject matter of, or the fair market value of the consideration for, the financing insofar as it involves interested parties, exceeded 25% of the Company's market capitalization. The financing was completed to raise proceeds for general working capital purposes. A material change report is being filed in connection with the insider participation in the financing less than 21 days in advance of closing of the financing, as the Company did not have prior confirmation of such participation. The private placement remains subject to final regulatory approval.

**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**

David Kivitz

**Item 9. Date of Report**

DATED at Toronto, in the Province of Ontario, this 15<sup>th</sup> day of March, 2021.

**SCHEDULE "A"**

NOT FOR DISTRIBUTION OR DISSEMINATION INTO THE UNITED STATES OR THROUGH U.S. NEWSWIRE SERVICES

**XS FINANCIAL INC. CLOSSES \$13.4 MILLION PRIVATE PLACEMENT  
LED BY GRAVITAS SECURITIES AND CANACCORD GENUITY**

**LOS ANGELES, CALIFORNIA – March 3, 2021** – XS Financial Inc. (CSE: XSF) (the “**Company**” or “**XS**”) is pleased to announce that it has completed its previously announced private placement (the “**Offering**”), of (i) a brokered offering of 26,666,700 units (“**Units**”) at a price of C\$0.30 per Unit, led by Gravitas Securities Inc. and Canaccord Genuity Corp. (together, the “**Co-Lead Agents**”); and (ii) a non-brokered offering of 12,593,031 Units at a price of C\$0.30 per Unit and 5,251 proportionate voting units of the Company (“**PVS Units**”) at a price of C\$300 per PVS Unit, to raise aggregate gross proceeds of C\$13,353,219.

Each Unit consisted of one subordinate voting share of the Company (each, a “**Subordinate Share**”) and one share purchase warrant (each, a “**Warrant**”), with each Warrant entitling the holder to acquire one additional Subordinate Share at an exercise price of \$0.45 for a period of 2 years from the date of issuance. Each PVS Unit consisted of one proportionate voting share of the Company (each, a “**PV Share**”) and one share purchase warrant (a “**PVS Warrant**”), with each PVS Warrant entitling the holder to acquire one PV Share at an exercise price of \$450 for a period of 2 years from the date of issuance. The PV Shares are convertible into Subordinate Shares on a 1:1,000 ratio, in accordance with the terms thereof, and are issuable to certain United States residents in order to preserve the foreign private issuer status of the Company under applicable securities laws.

**David Kivitz, CEO of XS Financial, commented:** “Today’s announcement shows confidence in XS Financial’s platform as a leading CAPEX financing company for well-recognized cannabis companies. We are extremely appreciative of the significant number of existing investors who participated in our Offering and welcome many new institutional and strategic investors. We have experienced considerable demand for our competitively priced, non-dilutive leasing solutions, which are flexibly structured to build with our multi-state operator and single-state operator customers. XS is reviewing a large pipeline of opportunities in new and existing markets. With this Offering completed, existing bank financing, and syndication opportunities, the Company expects to quickly scale its leasing portfolio and add long-term monthly recurring payments, with the goal of driving shareholder returns.”

In connection with the Offering, the Company paid a cash commission to the Co-Lead Agents and certain other qualified registrants assisting in the Offering, and issued (i) an aggregate of 2,353,400 broker warrants (“**Broker Warrants**”) with each such Broker Warrant entitling the holder to acquire one Unit at an exercise price of C\$0.30 for a period of 2 years from the date of issuance; and (ii) an aggregate of 1,450,000 Units in satisfaction of a corporate finance fee.

The Company intends to use the net proceeds of the Offering for general working capital purposes. All securities issued and issuable under the Offering are subject to a four-month hold period from the date of closing of the Offering, in addition to any other restrictions under applicable law. All securities issued and issuable in connection with the Offering are subject to a statutory hold period expiring on July 4, 2021.

Certain officers of the Company acquired a total of 5,251 PVS Units in connection with the Offering. Accordingly, the Offering is a “related party transaction” under Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions (“MI 61- 101”). The Company relied on the exemptions from the formal valuation and minority shareholder approval requirements of MI 61-101 contained in Sections 5.5(b) and 5.7(1)(a) of MI 61-101 in respect of related party participation in the Offering as the Company is listed on the Canadian Securities Exchange and neither the fair market value (as determined under MI 61-101) of the subject matter of, nor the fair market value of the consideration for, the transaction, insofar as it involves the related parties, exceeded 25% of the Company’s market capitalization (as determined under MI 61-101). The Company will file a material change report in respect of the Offering. However, it will be filed less than 21 days in advance of this closing, which is consistent with market practice and the Company deems reasonable in the circumstances given that no conditions to closing remain unsatisfied that would have required the closing to have been delayed for such period.

The securities offered have not been registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), or applicable state securities laws, and may not be offered or sold to, or for the account or benefit of, persons in

the United States or "U.S. persons" (as such term is defined under the U.S. Securities Act) absent registration or an exemption from such registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

### **About XS Financial**

Founded in 2017, XS Financial specializes in providing CAPEX financing solutions to cannabis companies in the United States, including cultivators, processors, manufacturers and testing laboratories. In addition, XSF has partnered with over 150 original equipment manufacturers (OEM) through its network of Preferred Vendor partnerships. 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 XSF stakeholders. The Company's subordinate voting shares are traded on the Canadian Securities Exchange under the symbol "XSF". For more information, visit: [www.xsfinancial.com](http://www.xsfinancial.com).

For inquiries please contact:

**David Kivitz**                      **Antony Radbod**  
Chief Executive Officer      Chief Operating Officer

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### **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 Company's anticipated use of proceeds, expectations regarding the Company's future operations, the scaling of its leasing portfolio and the funding commitments of the Company and the ability to capitalize on such and the timing thereof. In connection with the forward-looking information contained in this news release, the Company has made assumptions that the Company's financial condition and development plans do not change as a result of unforeseen events, and that the Company will receive all required regulatory approvals, including the final approval of the Canadian Securities Exchange, for the Offering.

Forward-looking information is not a guarantee of future performance and involve risks, uncertainties and assumptions which are difficult to predict, including without limitation, risks relating to the availability of financing and the other risks set forth in the continuous disclosure documents of XS from time to time. Accordingly, readers should not place undue reliance on forward-looking information, which are qualified in their entirety by this cautionary statement. XS Financial Inc. does not undertake any obligation to release publicly any revisions for updating any voluntary forward-looking information, except as required by applicable securities law.