

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 5, 2021

Item 3. **Press Release**

On March 5, 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 issued an aggregate of 1,709,832 subordinate voting shares of the Company (“Shares”) to Archytas Ventures, LLC (“Archytas”) and Justin Vuong, Vice-President of Corporate Development of the Company, in full satisfaction of (i) bonuses in the aggregate amount of US\$321,005 owing in respect of fiscal 2020; and (ii) a payment in the amount of US\$86,001 due to Archytas pursuant to its management contract with the Company with respect to the first quarter of fiscal 2021 (collectively, the “Share Issuances”).

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 Share Issuances consisting of the issuance of an aggregate of 1,709,832 Shares to Archytas and Justin Vuong, Vice-President of Corporate Development of the Company, in full satisfaction of (i) bonuses in the aggregate amount of US\$321,005 owing in respect of fiscal 2020; and (ii) a payment in the amount of US\$86,001 due to Archytas pursuant to its management contract with the Company with respect to the first quarter of fiscal 2021.

Pursuant to the Share Issuances, Archytas received an aggregate of 1,432,545 Shares at a deemed price of Cdn\$0.30 per Share. 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 5, 2021 immediately prior to the Share Issuances, Archytas held an aggregate of 1,278,619 Shares, 16,012.311 proportionate voting shares of the Company (“PV Shares”) and convertible securities entitling Archytas to acquire an additional 693,728 Shares and 5,251 PV Shares, representing approximately 1.8% of the issued and

outstanding Shares and approximately 56.5% of the issued and outstanding PV Shares post-closing (and approximately 21.6% of the issued and outstanding Shares on a partially diluted basis assuming conversion of such PV Shares and exercise of such convertible securities held by Archytas only). Immediately following the Share Issuances, Archytas holds an aggregate of 2,711,164 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 3.6% of the issued and outstanding SV Shares and approximately 56.5% of the issued and outstanding PV Shares post-closing (and approximately 22.6% 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 March 4, 2021. The transaction is exempt from the formal valuation and minority shareholder approval requirements of applicable securities laws as at the time the Share Issuances were agreed to, neither the fair market value of the subject matter of, or the fair market value of the consideration for, the Share Issuances insofar as they involved interested parties, exceeded 25% of the Company's market capitalization. The Share Issuances were completed to satisfy outstanding indebtedness while maintaining the cash position of the Company. A material change report is being filed in connection with the insider participation in the Share Issuances less than 21 days in advance of closing thereof, as the Company did not have prior confirmation of such matters.

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 15th day of March, 2021.

SCHEDULE "A"

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

XS FINANCIAL ANNOUNCES SHARE ISSUANCES

LOS ANGELES, CA, March 5, 2021 – XS Financial Inc. ("**XS Financial**", "**XSF**" or the "**Company**") (CSE: XSF), a specialty finance company providing scalable equipment leasing solutions to cannabis and hemp companies in the United States, announces that it has issued an aggregate of 1,709,832 subordinate voting shares of the Company to Archytas Ventures, LLC ("**Archytas**") and Justin Vuong, Vice-President of Corporate Development of the Company, in full satisfaction of (i) bonuses in the aggregate amount of US\$321,005 owing in respect of fiscal 2020; and (ii) a payment in the amount of US\$86,001 due to Archytas pursuant to its management contract with the Company with respect to the first quarter of fiscal 2021. Archytas is a private company controlled by David Kivitz and Antony Radbod, each of whom is a director and officer of XS Financial. All securities issued are subject to a statutory hold period expiring on July 6, 2021.

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.

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.

