

XS FINANCIAL'S STRONG FOURTH QUARTER REVENUE CAPS RECORD YEAR

A Transformational Year With a 367% YoY Increase in Revenue, \$80 Million of Capital Raised, and Continued 0% Default Rate in Lease Portfolio

LOS ANGELES, CA, May 2, 2022 – XS Financial Inc. (“XS Financial”, “XSF” or the “Company”) (CSE: XSF) (OTCQB: XSHLF), a specialty finance company providing CAPEX and equipment financing solutions to cannabis companies in the United States, reported its financial results today for the fourth quarter and year ended December 31, 2021. All amounts are expressed in U.S. dollars unless indicated otherwise.

Q4/21 Financial Highlights

- **281% YoY increase in revenue** to \$1.2 million in Q4/21 to from \$0.3 million in Q4/20;
- **430% YoY increase in monthly recurring payments** to \$1.2 million in Q4/21 from \$0.3 million in Q4/20;
- **477% YoY increase in total closed leases since inception** to \$41.5 million in Q4/21 from \$7.2 million in Q4/20;
- **394% YoY increase in gross lease receivables** to \$43.6 million in Q4/21 from \$8.8 million in Q4/20;
- **Adjusted Q4/21 EBITDA¹** loss of \$0.0 million (Q4/20 - loss of \$0.6 million); EBITDA loss of \$0.2 million (Q4/20 - loss of \$0.1 million);

Full Year 2021 Highlights

- **367% increase in revenue** to \$3.2 million in 2021 from \$0.7 million in 2020;
- **377% YoY increase** in new lease transactions to \$34.3 million in 2021 from \$7.2 million in 2020;
- **47 new lease schedules** with Ayr Wellness, Columbia Care, Parallel, PharmaCann, and others, resulting in closed lease transactions totaling \$34.3 million and equipment value totaling \$42.4 million;
- **\$106.3 million in financing commitments** made in 2021, a 549% YoY increase over 2020;
- **Raised \$76.8 million** of equity and debt capital in 2021
- **Total capital availability of \$46.1 million** including \$17.1 million of cash, \$19.0 million of total undrawn credit facility, and \$10.0 million of undrawn capital from private placement of unsecured notes.

Post-Year-End Portfolio and Corporate Highlights:

	As of Q1/21	As of Q2/21	As of Q3/21	As of Q4/21	As of 4/30/2022
# of Customers	7	8	8	8	10
# of Active Leases	24	38	51	66	83
Total Closed Leases Since Inception	\$10.5 million	\$22.1 million	\$34.2 million	\$41.5 million	\$63.4 million
Average Lease Size by Customer	\$1.5 million	\$2.8 million	\$4.3 million	\$5.2million	\$6.3 million
Monthly Recurring Payments	\$0.3 million	\$0.6 million	\$1.0 million	\$1.2 million	\$1.6 million
Gross Lease Receivables	\$12.2 million	\$26.0 million	\$38.5 million	\$43.6 million	\$69.9 million

David Kivitz, CEO of XS Financial commented: “2021 was a pivotal year for XS Financial in so many regards. We grew our revenues at a record pace, cemented our financial flexibility through two institutionally led milestone financings, deployed the most capital in our history, and continued executing on our long-term strategy. The growth of

¹ Adjusted EBITDA is a non-IFRS financial performance measure. Adjusted EBITDA is calculated as operating income adjusted for non-cash expenses, non-cash equity incentives and one-time non-operating expenses.

our customer base has been significant, and our portfolio continues to track on a positive and sustained growth. Looking forward to 2022, we are excited to continue delivering positive results. We believe that we have put the building blocks in place to achieve our strategic goals, including diversification of our customer base and an increase in capital deployment. As successful as our 2021 results were, we believe that the upcoming year will provide XS Financial with an even more significant opportunity to achieve new heights. We are as optimistic as ever based on early 2022 operations, access to \$46.1 million of funding capacity, and pipeline activity.”

Summary Financial Results – Three Months Ended December 31, 2021

The following table sets forth selected financial information for the periods indicated that was derived from our audited financial statements.

	For the three months ended December 31		For the year ended December 31	
	2021	2020	2021	2020
Financing income and operating lease revenue	\$1,182,399	\$310,697	\$3,158,562	\$676,460
Operating expenses	\$1,386,230	\$854,031	\$4,087,933	\$2,628,521
Other expenses (income)	\$1,269,309	\$123,753	\$2,056,050	\$3,101,261
Net (loss) income	(\$1,473,140)	(\$667,086)	(\$2,985,421)	(\$5,053,322)
Income (loss) per share – basic	(\$0.01)	(\$0.01)	(\$0.03)	(\$0.10)
Weighted average shares outstanding – basic	103,885,041	54,882,906	95,509,221	53,145,555

Revenues for the quarter increased 280.6% to \$1,182,399 from \$310,698 for the same period the year before. The increase of \$871,702 was attributable to revenue recognized from financing income associated with 13 new financing leases between 5 customers from 2020 to 2021. This increase was partially offset by a decrease in operating lease revenue resulting from all operating leases terminating or completed in 2020.

Operating expenses for the quarter increased 62.3% to \$1,386,230 from \$854,031 for the same period the year before. The increase was primarily the result of the increase in personnel and contractor costs due to an increase in operations, professional fees related to legal, audit, and accounting expenses associated with non-recurring projects, and non-cash incentive compensation.

Other expenses for the quarter increased to \$1,269,309 from \$123,753 for the same period the year before. The increase in other expense of \$1,146,000 was primarily attributable to an increase of approximately \$1,321,000 in financing and accretion expenses associated with new debt and equity issuances in 2021. Additionally, the Company had foreign currency translation losses in 2021 of approximately \$764,000 related to the translation of convertible notes issued in Canada to US currency, and an increase in the realized and unrealized losses of approximately \$381,000 related to the Company’s Greenlane investment. The above increases were partially offset by a non-cash change in fair value of derivative liabilities of approximately \$1,049,000.

Net loss for the quarter was \$1,473,140, compared to net loss of \$667,086 for the fourth quarter of 2020.

Earnings Per Share (“EPS”) and Adjusted Net Loss

Comparative table illustrating changes EPS for the period ending December 31, 2020 (“Q4/20”), the period ending March 31, 2021 (“Q1/21”), the period ending June 30, 2021 (“Q2/21”), the period ending September 30, 2021 (“Q3/21”), and Q4/21.

	<u>Q4/20</u>	<u>Q1/21</u>	<u>Q2/21</u>	<u>Q3/21</u>	<u>Q4/21</u>
Earnings (Loss) Per Share	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)

The Company realized a loss of \$(1,473,140) for Q4/21 compared to a loss of \$(667,086) for Q4/20. After adjusting for non-cash items including unrealized loss in fair value change of investments, accretion expense, and change in fair value of derivative liabilities the Company reported an adjusted net loss of \$(203,831) compared to an adjusted net loss of \$(543,333) as previously reported in Q4/20.

XS Financial's complete annual financial statements and management's discussion and analysis for the fourth quarter and year ended December 31, 2021, will be filed under the Company's profile on www.sedar.com, and will also be available on XS Financial's corporate website at www.xsfinancial.com.

About XS Financial

XS Financial provides the U.S. cannabis industry access to competitively-priced, non-dilutive CAPEX financing solutions. Founded in 2017, the Company specializes in providing financing for equipment and other qualified capital expenditures to growing cannabis companies, 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, resulting 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" and in the United States on the OTCQB under the symbol "XSHLF." For more information, visit: www.xsfinancial.com.

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Non-IFRS Financial Measures

This press release includes references to certain non-IFRS financial measures. These non-IFRS measures do not have any standardized meanings prescribed by International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation, in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS.

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, 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. 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.

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