

XS FINANCIAL'S THIRD QUARTER CONTINUES CONSISTENT GROWTH

Company Generates Positive Net Distributable Earnings for the First Time

LOS ANGELES, CA, November 28th, 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 third quarter ended September 30, 2022 ("Q3/22"). All amounts are expressed in U.S. dollars unless indicated otherwise.

Q3/22 Financial Highlights

- **108% YoY increase in revenue** to \$2.1 million in Q3/22 from \$1.0 million in Q3/21;
- **143% YoY increase in monthly recurring payments** to \$2.4 million in Q3/22 from \$1.0 million in Q3/21;
- **171% YoY increase in closed leases since inception** to \$92.9 million in Q3/22 from \$34.1 million in Q3/21;
- **158% YoY increase in gross lease receivables** to \$99.1 million in Q3/22 from \$38.5 million in Q3/21;
- **169% QoQ improvement of net distributable earnings** to \$184.1 in Q3/22 from (\$267k) the in Q2/22;
- **0% default rate** on portfolio since inception; and
- **43 new lease schedules** with Ascend Wellness, Ayr Wellness, Connected Cannabis, PharmaCann, Temescal Wellness, and others, resulting in closed lease transactions totaling \$19.2 million.

Post-Quarter-End Portfolio and Corporate Highlights as of October 31st, 2022:

	Q4/21	Q1/22	Q2/22	Q3/22	As of 10/31/2022
# of Customers	8	10	11	14	14
# of Active Leases	62	76	96	139	151
Closed Leases Since Inception	\$41.3 million	\$48.0 million	\$67.3 million	\$92.9 million	\$95.0 million
Average Lease Size by Customer	\$5.2 million	\$4.8 million	\$6.1 million	\$6.6 million	\$6.8 million
Monthly Recurring Payments	\$1.2 million	\$1.4 million	\$1.7 million	\$2.3 million	\$2.4 million
Gross Lease Receivables	\$43.6 million	\$48.1 million	\$71.6 million	\$99.1 million	\$96.9 million

- **12 new lease schedules** with Ascend Wellness, Ayr Wellness, and Temescal Wellness resulting in lease originations of \$2.1 million
- **Additional drawdown of \$10 million** under October 2021 private placement of convertible notes.

David Kivitz, CEO of XS Financial commented: "During the third quarter, we achieved significant operational milestones, including record revenue, increased monthly recurring payments to over \$2.4 million, and accomplished our first quarter of positive net distributable earnings. In the fourth quarter and looking ahead to 2023, we are focused on doubling our customer base, as we did in 2022, increasing efficiencies in operations, and expanding our financing options with well-priced, non-dilutive capital. The capital markets remain challenged in the cannabis industry and our customers and new prospects remain reliant on our leasing solutions, including our ability to fund at scale, which we expect will continue well beyond 2023. We look forward to delivering positive results related to our key metrics and building our portfolio and pipeline with market-leading operators."

Summary Financial Results – Three Months Ended September 30th, 2022

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 September 30	
	2022	2021
Revenue	\$2,080,061	\$998,412
Operating expenses	\$1,944,168	\$1,160,486
Operating income (loss)	135,893	(162,074)
Other expenses (income)	2,553,602	466,472
Net (loss) income	(2,417,709)	(\$628,546)
Income (loss) per share – basic	(\$0.02)	(\$0.01)
Weighted average shares outstanding – basic	103,885,041	103,882,966

Revenues for the quarter increased 108% to \$2,080,061 from \$998,412 for the same period the prior year. The increase of \$1,081,649 was attributable to revenue recognized from financing income associated with 94 new financing leases from Q3 2021 to Q3 2023.

Operating expenses for the quarter increased 67.5% to \$1,944,168 from \$1,160,486 for the same period the prior year. The increase was primarily the result of the increase in personnel costs due to an increase in incentive compensation, offset by a decrease in professional fees.

Other expenses for the quarter increased to \$2,920,951 from (\$230) for the same period the prior year. The increase in other expense of \$2,921,181 was primarily attributable to an increase of \$2,556,010 increase in foreign currency translations losses related to the financing of convertible notes issued in Canada and \$370,111 losses related to a debt extinguishment associated with new line of credit entered into in August 2022.

Net loss for the quarter was \$2,417,709 compared to a net loss of \$628,546 for the second quarter of 2021. When factoring in unrealized gain of the foreign currency, Comprehensive income was a positive \$134,562 in Q3 2022 compared to a loss of (\$636,274) in Q3 2021.

Earnings Per Share (“EPS”)

Comparative table illustrating changes EPS for the period ending June 30, 2021 (“Q2/21”), the period ending September 30, 2021 (“Q3/21”), the period ending December 31, 2021 (“Q4/21”), and the period ending March 31, 2022 (“Q1/22”), and Q1/22.

	<u>Q2/21</u>	<u>Q3/21</u>	<u>Q4/21</u>	<u>Q1/22</u>	<u>Q2/22</u>	<u>Q3/22</u>
Earnings (Loss) Per Share	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.03)	\$(0.02)

Net Distributable Earnings

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 and stock-based compensation, the Company reported net distributable earnings of \$184,069 in Q3 2022 compared to \$(266,632) in Q2 2022, a 169% improvement quarter over quarter.

Summary of Net Distributable Earnings – Third Quarter 2022 compared to Second Quarter of 2022

	Q3 2022	Q2 2022
Operating Income	135,892	765,942
Add: Depreciation Expense	4,108	4,108
Add: Noncash Equity Compensation	1,162,766	47,085
Less: Interest Expense	(1,118,696)	(1,083,767)
Net Distributable Earnings	184,069	\$(266,632)
% Margin	9.2%	-16.1%

XS Financials' complete annual financial statements and management's discussion and analysis for the third quarter ended September 30th, 2022, 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/investors

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 250 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.

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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.