

XS FINANCIAL POSTS A RECORD YEAR WITH OVER \$147 MILLION IN CAPEX FINANCING COMMITMENTS

\$68 Million of Closed Lease Transactions in 2022; 167% Increase in YoY Closed Leases

LOS ANGELES, CA, February 1, 2023 – XS Financial Inc. (“XS Financial”, “XSF” or the “Company”) (CSE: XSF) (OTCQB: XSHLF), a specialty finance company providing equipment financing solutions to cannabis companies in the United States, is pleased to announce the following updates as of the year ended December 31, 2021. All amounts are expressed in U.S. dollars.

Advancing its position as a leading CAPEX financing company to the legal U.S. cannabis industry, XS Financial is pleased to announce that for the year ended December 31, 2022, the Company completed \$68.0 million in new lease transactions, a 167% YoY increase. In addition, XSF closed on new commitments of \$147.4 million, a 36% YoY increase, which will significantly drive new lease transactions in 2023.

XSF made significant progress in increasing its funding capacity while reducing its incremental borrowing cost. In 2022, the Company closed an upsized \$39 million line of credit with an FDIC-insured bank and received its final \$10 million funding tranche from convertible notes the previous year. In addition, due to the increased funding capacity, XSF retired its preexisting line of credit from a private credit fund, which had a higher borrowing rate than its new credit facility. This decrease in borrowing rate helped the Company achieve its first quarter of positive Net Distributable Earnings in 3Q22.

Year End 2022 Portfolio Highlights*

	As of Q1/22	As of Q2/22	As of Q3/22	As of Q4/22
# of Active Leases	75	95	138	174
Total Closed Leases	\$47.4 million	\$66.6 million	\$92.3 million	\$108.7 million
Monthly Recurring Payments	\$1.3 million	\$1.7 million	\$2.3 million	\$2.7 million
Gross Lease Receivables	\$48.1 million	\$71.6 million	\$99.1 million	\$112.2 million

*Unaudited

David Kivitz, CEO of XS Financial, commented: “On the back of a record year for the business, we are well-positioned for growth in 2023. We provided several of our largest customers increased commitments for their growth and recently closed our largest transaction since inception, a \$50 million CAPEX facility for Curaleaf. In addition, we are engaged in numerous discussions with several new prospective borrowers and continue seeing a robust demand pipeline for our product. Further, we focus on increasing our access to non-dilutive financing with our existing and new bank partners to optimally fund our significant customer commitments. We are looking forward to 2023, which should be another banner year for the business.”

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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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.

Non-IFRS Metrics

In addition to using certain financial metrics prepared in accordance with IFRS to evaluate our performance, we also use Net Distributable Earnings to evaluate our performance excluding the effects of certain transactions and IFRS adjustments we believe are not necessarily indicative of our current lease activity and operations. Net Distributable Earnings is a measure that is not prepared in accordance with IFRS. Distributable Earnings and the other capitalized terms not defined in this section have the meanings ascribed to such terms. We define Distributable Earnings as, for a specified period, the operating income (loss), excluding (i) stock-based compensation expense and (ii) depreciation and amortization less (iii) interest expense for the period. We use this non-IFRS financial measure both to explain our results to stockholders and the investment community and in the internal evaluation and management of our businesses. Our management believes that this non-IFRS financial measure and the information they provide are useful to investors since these measures permit investors and stockholders to assess the overall performance of our business using the same tools that our management uses to evaluate our past performance and prospects for future performance.