

XS FINANCIAL REPORTS 2022 FOURTH QUARTER AND FULL YEAR RESULTS

Company Generates Record Annual Revenue of \$7.6M, 140% YoY increase From 2021

LOS ANGELES, CA, April 25th, 2023– 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, reports its financial results today for the fourth quarter end and year ended December 31, 2022. All amounts are expressed in U.S. dollars unless indicated otherwise.

Q4/22 and Full Year 2022 Financial Highlights

- **140% YoY increase in annual revenue** to \$7.6 million in FY22 from \$3.2 million in FY21;
- **115% YoY increase in Q4 revenue** to \$2.5 million in Q4/22 from \$1.2 million in Q4/21;
- **156% YoY increase in gross lease receivables** to \$111.4 million in Q4/22 from \$43.5 million in Q4/21;
- **197% YoY improvement in net income** to \$1.4 million in Q4/22 from (\$1.5) in Q4/21;
- **113 new lease schedules** with Ascend Wellness, Ayr Wellness, Columbia Care, Connected Cannabis, Curaleaf, PharmaCann, Green Dragon / Eaze, Jushi, Temescal Wellness, and others, resulting in closed lease transactions totaling approximately \$68.0 million.

Post-Year-End Portfolio and Corporate Highlights:

	Q1/22	Q2/22	Q3/22	Q4/22	As of 04/20/2023
# of Customers	10	11	14	15	16
# of Active Leases	76	96	139	174	194
Active Leases Since Inception	\$48.0 million	\$67.3 million	\$92.9 million	\$108.7 million	\$114.6 million
Average Lease Size by Customer	\$4.8 million	\$6.1 million	\$6.6 million	\$7.2 million	\$6.7 million
Monthly Recurring Payments	\$1.4 million	\$1.7 million	\$2.3 million	\$2.7 million	\$2.9 million
Gross Lease Receivables	\$48.1 million	\$71.6 million	\$99.1 million	\$112.2 million	\$108.8 million

David Kivitz, CEO of XS Financial commented: “2022 was a transformational year for XS Financial. We had continued revenue growth and operational performance with particular emphasis on expanded funding relationships with several existing customers and new customer additions. Our business is hitting its stride, and our focus as a better alternative for non-dilutive CAPEX and equipment financing has seen positive reinforcement throughout the year. In the 2nd half of 2022 and into 2023, we witnessed a slowdown in our industry and, as a result, have expanded our origination efforts to include other industries. We are in the preliminary stages of evaluating these opportunities and look forward to providing updates throughout the year. We believe this expansion will be a significant growth driver for the business in addition to our continued focus on the cannabis sector.”

Summary Financial Results – Three Months and Full Year Ending December 31st, 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 December 31		For the year ended December 31	
	2022	2021	2022	2021
Financing income and operating lease revenue	\$2,541,008	\$1,182,399	\$7,567,473	\$3,158,562
Operating expenses	\$1,728,200	\$1,386,230	\$5,630,156	\$4,087,933

Other expenses (income)	(\$614,810)	\$1,269,309	\$8,242,805	\$2,056,050
Net (loss) income	\$1,427,618	(\$1,473,140)	(\$6,305,488)	(\$2,985,421)
Income (loss) per share – basic	\$0.01	(\$0.01)	(\$0.06)	(\$0.03)
Weighted average shares outstanding – basic	103,885,041	103,885,041	103,885,041	95,509,221

Revenues for the quarter increased 115% to \$2,541,008 from \$1,182,399 for the same period the prior year. The increase of \$1,358,609 was attributable to revenue recognized from financing income associated with 111 new financing leases from Q4 2021 to Q4 2022.

Operating expenses for the quarter increased 20% to \$1,728,200 from \$1,386,230 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.

Other expenses for the quarter decreased to \$(614,810) from \$1,269,309 for the same period the prior year. The decrease in other expense of \$1,884,119 was primarily attributable to a decrease of \$1,693,942 in the fair value of derivative liabilities and \$1,436,608 decrease in foreign currency translations losses related to the financing of convertible notes issued in Canada.

Net Income for the quarter was \$1,427,618 compared to a net loss of \$1,473,140 for the fourth quarter of 2021.

Earnings Per Share (“EPS”)

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

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

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 \$(946,042) in FY 2022 compared to \$(1,677,569) FY 2021, a 43.6% improvement year over year.

Summary of Net Distributable Earnings – Full Year 2022 compared to Full Year 2021

	FY 2022	FY 2021
Operating Income	1,937,317	(929,371)
Add: Depreciation Expense	17,131	17,498
Add: Noncash Equity Compensation	1,966,075	688,045
Less: Interest Expense	(4,866,565)	(1,453,741)
Net Distributable Earnings	(946,042)	(1,677,569)

XS Financials’ complete annual financial statements and management’s discussion and analysis for the fourth quarter ended December 3rd, 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.