

XS FINANCIAL ANNOUNCES AMENDMENT TO UNSECURED CONVERTIBLE NOTES, MATURITY DATE EXTENSION

LOS ANGELES, CA, June 12, 2023 – XS Financial Inc. ("XS Financial", "XSF" or the "Company") (CSE: XSF) (OTCQB: XSHLF), a leading equipment finance company to the cannabis industry in the United States, announced today that it has amended its unsecured convertible notes ("Notes") in the aggregate principal amount of US\$43.5 million, which were originally issued on October 28, 2021 and October 10, 2022.

The Notes were originally scheduled to mature on October 28, 2023, subject to a one-year extension in certain circumstances. Pursuant to the terms of the amendment, the Notes will now mature on either (i) December 31, 2024 (the "December Maturity Date") if the Company secures a written commitment by one or more third party lenders prior to December 31, 2023, providing for the advance of senior indebtedness to the Company in an aggregate minimum principal amount of US\$50,000,000; or (ii) otherwise, June 30, 2024. The Company has the option of extending the December Maturity Date for an additional one-year period to December 31, 2025, by providing written notice to the Note holders and making a cash payment equal to 1% of the aggregate principal amount of the Notes outstanding at the date of such notice.

In addition, the amendments (i) provide that the principal and interest outstanding under the Notes may be converted by the holders into subordinate voting shares of the Company at a conversion price equal to the lesser of: (I) CAD\$0.12 per share; or (II) 80% of the offering price per security in a "qualified offering" as defined therein (subject to adjustment to the extent that the holders have not achieved an internal rate of return on their investment in the Notes equal to or greater than 12% upon conversion); (ii) provide that interest on the Notes will accrue at the rate of 9.50% per annum, of which 7.00% shall be payable in cash and the remaining 2.50% shall be payable in kind by the issuance of additional Notes, subject to adjustment in certain circumstances; (iii) remove a restriction providing that the ratio of (x) total indebtedness to (y) tangible net worth of the Company, shall not be greater than 4.25 to 1.0, all as further detailed therein; and (iv) and give effect to certain other housekeeping amendments.

A copy of the agreement giving effect to the amendments has been filed under the Company's profile on SEDAR at www.sedar.com.

David Kivitz, CEO of XS Financial commented: "Our decision to extend the maturity date of our unsecured convertible notes to 2024, and remove our indebtedness covenant. Creates flexibility for XS. This amendment allows the company to capitalize on future opportunities while further aligning our note holders to the future success of the business. We believe that this extension provides increased financial resilience as we further invest in our core businesses and on-going innovation to thrive in the industry."

About XS Financial

Established in 2017, XS Financial specializes in providing equipment financing solutions to both cannabis and non-cannabis companies across various industries in the United States. Over the years, XS Financial has partnered with more than 250 original equipment manufacturers (OEMs) through our network of Preferred Vendor partnerships. This robust ecosystem offers an end-to-end solution for clients, resulting in recurring revenues, strong profit margins, and a proven business model for XS Financial 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, the potential extension of the December Maturity Date, 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.