

XS FINANCIAL ANNOUNCES UNSECURED CONVERTIBLE NOTE REPURCHASE AND CANCELLATION

LOS ANGELES, CA, AUGUST 30, 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 proposes to repurchase and cancel certain of its unsecured convertible notes ("**Notes**") which were originally issued on October 28, 2021 and October 10, 2022 (the "**Note Repurchase**"). The Notes were originally issued to various holders in the aggregate principal amount of US\$43.5 million, together with one share purchase warrant (a "**Warrant**") for every US\$2.00 principal amount of Notes, with each Warrant being exercisable to acquire one subordinate voting share of the Company at an exercise price of Cdn\$0.45 in accordance with the terms thereof. The Note Repurchase will be effected with respect to one Note in the principal amount of US\$2,584,964 as at June 30, 2023 (the "**Subject Note**"), which will be repurchased and cancelled by the Company in consideration of a cash payment by the Company to the holder of the Subject Note in the aggregate amount of US\$2,326,468 in satisfaction of all principal and interest due and owing thereunder. The holder of the Subject Note will also agree to the cancellation of an aggregate of 1,250,000 Warrants for no additional consideration in connection with the Note Repurchase. The Note Repurchase is expected to be effected on or about August 30, 2023.

In addition, the Company wishes to correct certain disclosure in its previous press release dated June 12, 2023 (the "**June Release**") concerning an agreement (the "**Prior Agreement**") amending certain terms of the Notes, including with respect to the maturity date, conversion price, interest and certain other revisions, all as further described in the June Release (collectively, the "**Amendments**"). Upon further discussion by the holders of the Notes and in consideration of the Note Repurchase, the parties have agreed that the Prior Agreement will be terminated and the Amendments will now take effect contemporaneously with the Note Repurchase with respect to all Notes other than the Subject Note (which will be cancelled prior to the Amendments coming into force). Please refer to the June Release available on SEDAR at www.sedar.com for further details of the Amendments.

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.

For inquiries please contact:

David Kivitz
Chief Executive Officer

Antony Radbod
Chief Operating Officer

Tel: 1-310-683-2336
Email: ir@xsfinancial.com

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 closing of the Note Repurchase and contemporaneous Amendments and cancellation of Warrants, 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.