

FORM 51-102F3
Material Change Report

MATERIAL CHANGE REPORT UNDER SECTION 7.1 OF
NATIONAL INSTRUMENT NO. 51-102

Item 1.

Reporting Issuer

XS Financial Inc. (the "Company")
120 – 1901 Avenue of the Stars
Los Angeles, CA 90067
United States

Item 2.

Date of Material Change

A material change took place effective Aug 31, 2023.

Item 3.

Press Release

On August 31, 2023, a news release in respect of the material change was disseminated by the Company.

Item 4.

Summary of Material Change

The Company announced that it completed its previously announced repurchase and cancellation of certain of its unsecured convertible notes which were originally issued on October 28, 2021 and October 10, 2022.

Item 5.

Full Description of Material Change

The material change is described in the Company's press release attached hereto as Schedule "A", which press release is incorporated by reference herein.

Item 6.

Reliance on subsection 7.1(2) of National Instrument 51-102

The report is not being filed on a confidential basis.

Item 7.

Omitted Information

No information has been omitted.

Item 8.

Executive Officer

David Kivitz

Item 9.

Date of Report

DATED at Toronto, in the Province of Ontario, this 10th day of Sept, 2023.

XS FINANCIAL COMPLETES UNSECURED CONVERTIBLE NOTE REPURCHASE AND CANCELLATION

LOS ANGELES, CA, AUGUST 31, 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, is pleased to announce that it has completed its previously announced repurchase and cancellation of 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. The Note Repurchase was effected with respect to one Note in the principal amount of US\$2,584,964 as at June 30, 2023 which was repurchased and cancelled by the Company in consideration of a cash payment by the Company in the aggregate amount of US\$2,326,468 in satisfaction of all principal and interest due and owing thereunder. Also in connection with the Note Repurchase: (i) an aggregate of 1,250,000 Warrants were cancelled for no additional consideration; and (ii) the Company entered into an agreement to amend certain terms of the remaining Notes, including with respect to the maturity date, conversion price, interest and certain other matters. For further details, please refer to the press releases of the Company dated June 12, 2023 and August 30, 2023 available on SEDAR at www.sedar.com.

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:

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Chief Executive Officer

Antony Radbod
Chief Operating Officer

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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.