

XS FINANCIAL REPORTS THIRD QUARTER 2023 RESULTS

CORRECTION: Amended previously stated incorrect percentage of YoY increase in gross lease receivable from 56% to 14%.

Company Generates Record Net Distributable Earnings of \$209,594 and Revenue of \$2.9 Million

LOS ANGELES, CA, November 28th, 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 third quarter ended September 30th, 2023. All amounts are expressed in U.S. dollars unless indicated otherwise.

Q3/23 Financial Highlights:

- **41% YoY increase in Q3 revenue** to \$2.9 million in Q3/23 from \$2.1 million in Q3/22;
- **14% YoY increase in gross lease receivables** to \$113.1 million in Q3/23 from \$99.1 million in Q3/22;
- **11% YoY improvement in net distributable earnings** to \$209k in Q3/23 from \$189k in Q3/22;
- **16 new lease schedules** with Aeriz, Ascend Wellness, Ayr Wellness, Jushi, PharmaCann, and Temescal Wellness, resulting in closed lease transactions totaling approximately \$9.6 million.

Post-Quarter-End Portfolio and Corporate Highlights:

	Q4/22	Q1/23	Q2/23	Q3/23	As of 11/22/2023
# of Customers	15	16	16	16	16
# of Active Leases	174	189	209	224	228
Active Leases Since Inception	\$108.7 million	\$113.9 million	\$118.9 million	\$127.9 million	\$128.7 million
Average Lease Size by Customer	\$7.2 million	\$7.2 million	\$7.4 million	\$7.9 million	\$8.0 million
Monthly Recurring Payments	\$2.7 million	\$2.7 million	\$3.0 million	\$3.3 million	\$3.3 million
Gross Lease Receivables	\$112.2 million	\$111.7 million	\$111.5 million	\$113.1 million	\$107.8 million

David Kivitz, CEO of XS Financial commented: “During the third quarter, we generated record net distributable earnings of \$209,594, which is a proxy for cash earnings. Looking ahead to 2024, we are focused on expanding our customer base, increasing efficiencies in operations, and optimizing our balance sheet, including refinancing our maturing debt. The company currently has \$21.4 available to draw on its \$54 million commercial bank-provided line of credit, which provides sufficient liquidity for our business to continue exploring growth opportunities.”

Summary Financial Results – Three Months Ending September 30th, 2023.

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 Sept 30	
	2023	2022
Financing income and operating lease revenue	\$2,939,216	\$2,080,061
Operating expenses	\$1,139,266	\$1,944,168
Other expenses (income)	\$4,787,683	\$2,553,602
Net (loss) income	\$(2,987,733)	\$(2,417,709)
Income (loss) per share – basic	\$(0.03)	\$(0.02)
Weighted average shares outstanding – basic	103,885,041	103,885,041

Revenues for the quarter increased 41% to \$2,939,216 from \$2,080,061 for the same period the prior year. The increase of \$859,155 was attributable to revenue recognized from financing income associated with 96 new financing leases.

Operating expenses for the quarter decreased 41% to \$1,139,266 from \$1,944,168 for the same period the prior year. The decrease was primarily the result of a non-cash incentive compensation expense that was paid in the same period last year.

Other expenses for the quarter increased to \$4,787,683 from \$2,553,602 for the same period the prior year. The increase in other expense of \$2,234,081 was primarily attributable to the increase of approximately \$3,088,000 in non-cash losses related to the change in fair value of derivative liabilities from a gain in the third quarter of 2022 to a loss in the third quarter of 2023, and a non-cash debt modification loss of approximately \$1,265,000 recorded in the third quarter of 2023 related to convertible notes August 2023 amendment.

Net Loss for the quarter was \$2,987,733 compared to a net loss of \$2,417,709 for the third quarter of 2022.

Net Distributable Earnings

After adjusting for non-cash items, including the unrealized loss in the fair value change of investments, accretion expense, and stock-based compensation, including gain (loss) from lease terminations, the Company reported net distributable earnings of \$209,594 in Q3 2023 compared to \$189,241 in Q3 2022, a 11% improvement year over year.

Summary of Net Distributable Earnings – Third Quarter 2023 compared to Third Quarter 2022

	Q3 2023	Q3 2022
Operating Income	\$1,799,950	\$135,893
Add: Noncash Equity Compensation	\$215,679	\$1,162,766
Add: Depreciation Expense	\$4,255	\$4,108
Add: Gain on Lease Termination	\$49,755	\$5,170
Less: Interest Expense	\$1,860,045	\$1,118,696
Net Distributable Earnings	\$209,594	\$189,241

XS Financials' complete annual financial statements and management's discussion and analysis for the third quarter ended September 30th, 2023, 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.