# XS FINANCIAL INC.

# NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SECURITYHOLDERS

# TO BE HELD ON SEPTEMBER 9, 2024

# AND

# MANAGEMENT INFORMATION CIRCULAR

# WITH RESPECT TO A PROPOSED

# PLAN OF ARRANGEMENT

**AUGUST 2, 2024**

**RECOMMENDATION TO SECURITYHOLDERS:**

**THE BOARD OF DIRECTORS RECOMMENDS THAT SECURITYHOLDERS VOTE FOR THE ARRANGEMENT RESOLUTION**

**XS FINANCIAL INC.**
Suite 2600, 1066 West Hastings St.
Vancouver, British Columbia
V6E 3X1

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SECURITYHOLDERS**

**NOTICE IS GIVEN** that an annual general and special meeting (the "**Meeting**") of the holders of subordinate voting shares, proportionate voting shares, share purchase warrants and stock options ("**Securityholders**") of XS Financial Inc. ("**XS**") will be held at Farris LLP, 700 W Georgia St., 25th Floor, Vancouver, British Columbia V7Y 1B3 on Monday, September 9, 2024, at 9:00 a.m. (Pacific time) for the following purposes:

1. to receive XS's audited financial statements for the financial year ended December 31, 2023 and the auditor's report thereon, as amended and refiled on August 9, 2024, as further detailed in Item 1 of the management information circular of XS dated August 2, 2024 ("Information Circular");
2. to set the number of directors at four, as further detailed in Item 2 of the Information Circular;
3. to elect the directors of XS for the ensuing year, as further detailed in Item 3 of the Information Circular;
4. to appoint Link-It Accounting and Financial Services Inc. as XS's auditor for the ensuing fiscal year and to authorize the directors to set the auditor's remuneration, as further detailed in Item 4 of the Information Circular;
5. to consider, pursuant to an interim order of the Supreme Court of British Columbia dated August 7, 2024 and, if thought advisable, to pass, with or without amendment, a special resolution approving an arrangement (the "**Arrangement**") involving XS and XS Acquisition Portfolio LLC under Section 288 of the *Business Corporations Act* (British Columbia) as further detailed in Item 5 of the Information Circular, substantially in the form of resolution appended at Schedule "B" of the Information Circular (with the plan of arrangement by which the Arrangement will be effected set out in Schedule "D" to the Information Circular); and
6. to transact such further business as may properly come before the Meeting or any adjournments thereof.

The Information Circular provides additional information relating to the matters to be addressed at the Meeting, including the Arrangement, and is deemed to form part of this notice. **You are encouraged and reminded to access and review the Information Circular, prior to voting.**

The directors of the Company have fixed Friday, August 2, 2024 as the record date (the "**Record Date**") for the determination of Securityholders entitled to receive notice of and to vote at the Meeting and at any postponement or adjournment thereof. Each Securityholder as of the Record Date is entitled to such notice and to vote at the Meeting in the circumstances set out in the accompanying Information Circular.

Registered Securityholders are entitled to vote by proxy at the Meeting on the applicable items in which they are entitled to participate as further set forth in the Information Circular. Registered Securityholders who are unable to attend the Meeting are encouraged to read, complete, sign, date and return the form of proxy in accordance with the instructions set out in the proxy and in the Information Circular.

In order to be valid and acted upon at the Meeting, forms of proxy must be returned to Odyssey Trust Company in accordance with the instructions set forth on the form of proxy not later than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournments thereof.

Non-registered Securityholders should carefully follow the instructions on the voting instruction form in the Meeting materials in order to ensure that their securities of XS are voted at the Meeting. The voting instruction form will be similar to the proxy provided to the registered Securityholders by XS. However, its purpose is limited to instructing a broker, investment dealer, bank, trust company, nominee or other intermediary (an "**Intermediary**") on how to vote on a non-registered Securityholders' behalf.

The voting instruction form will name the same persons as XS's proxy to represent a non-registered Securityholder at the Meeting. **Although as a non-registered Securityholder, you may not be recognized directly at the Meeting for the purposes of voting securities of XS registered in the name of your Intermediary, you, or a person designated by you (who need not be a Securityholder), may attend at the Meeting as proxyholder for your Intermediary and vote your securities of XS in that capacity.** To exercise this right to attend the Meeting or appoint a proxyholder of your own choosing, you should insert your own name or the name of the desired representative in the blank space provided in the voting instruction form. Alternatively, you may provide other written instructions requesting that you or your desired representative attend the Meeting as proxyholder for your Intermediary. The completed voting instruction form or other written instructions must then be returned in accordance with the instructions on the form.

For more information on how to vote as a non-registered Securityholder, please refer to the section in the Information Circular entitled "*General Proxy Information – Voting by Non-Registered Securityholders*" for information on how to vote your securities of XS.

The Canadian Securities Exchange ("**CSE**") has neither reviewed nor approved the disclosure in the Information Circular.

**DATED** at Vancouver, British Columbia this 2nd day of August, 2024.

**BY ORDER OF THE BOARD OF DIRECTORS OF XS FINANCIAL INC.**

*"David Kivitz"*

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David Kivitz
Chief Executive Officer

**XS FINANCIAL INC.**
Suite 2600, 1066 West Hastings St.
Vancouver, British Columbia
V6E 3X1

# MANAGEMENT INFORMATION CIRCULAR
## AS OF AUGUST 2, 2024

**This Information Circular is furnished in connection with the solicitation of proxies by management of XS Financial Inc. for use at the Meeting of the Securityholders to be held at 9:00 a.m. (Pacific Standard Time) on September 9, 2024 and any adjournment or postponement thereof, for the purposes set forth in the attached Notice of Annual General and Special Meeting. Except where otherwise indicated, the information contained herein is stated as of August 2, 2024. All capitalized terms used herein shall have the meanings ascribed thereto under the heading "*Glossary of Terms*".**

## CURRENCY

Unless otherwise indicated herein, references to"$", "Cdn$", "dollars" or "Canadian dollars" are to Canadian dollars, and references to "US$" or "U.S. dollars" are to United States dollars.

## INTRODUCTION

If you are a Registered Securityholder and unable to attend the Meeting, but wish to have your vote counted, you will be required to complete, date, sign and return, in the envelope provided for that purpose, the accompanying form of Proxy for use at the Meeting or any adjournment thereof (or vote in one of the other manners described below under the heading "*Appointment and Revocation of Proxies*").

If you are a Non-Registered Securityholder and have received this Notice of Meeting and accompanying materials through an Intermediary, please complete and return the voting instructions form provided to you in accordance with the instructions provided therein.

## INFORMATION CONTAINED IN THIS CIRCULAR

The information contained in this Information Circular, unless otherwise indicated, is given as of August 2, 2024. No person has been authorized to give any information or to make any representation in connection with the matters being considered herein other than those contained in this Information Circular and, if given or made, such information or representation should be considered or relied upon as not having been authorized.

This Information Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer of proxy solicitation. Neither the delivery of this Information Circular nor any distribution of securities referred to herein shall, under any circumstances, create any implication that there has been no change in the information set forth herein since the date of this Information Circular. Information contained in this Information Circular should not be construed as legal, tax or financial advice and Securityholders are urged to consult their own professional advisors in connection with the matters considered in this Information Circular. The Arrangement has not been approved or disapproved by any securities regulatory authority, nor has any securities regulatory authority passed upon the fairness or merits of the Arrangement or upon the accuracy or adequacy of the information contained in this Information Circular and any representation to the contrary is unlawful. The CSE has neither reviewed nor approved the disclosure in this Information Circular.

All summaries of, and references to, the Arrangement and the Arrangement Agreement in this Information Circular are qualified in their entirety by reference, in the case of the Arrangement, to the complete text of the Plan of Arrangement attached as Schedule "D" to this Information Circular and, in the case of the Arrangement Agreement, to the complete text of the Arrangement Agreement which is filed on the Company's profile on SEDAR+ at www.sedarplus.ca.

## FORWARD LOOKING STATEMENTS

This Information Circular and the documents incorporated into this Information Circular by reference, contain "forward-looking information" within the meaning of the applicable Canadian securities legislation and "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (forward-looking information and forward-looking statements being collectively herein after referred to as "forward-looking statements") that are based on expectations, estimates and projections as at the date of this Information Circular or the dates of the documents incorporated herein by reference, as applicable. These forward-looking statements include but are not limited to statements and information concerning the Arrangement; the timing for the implementation of the Arrangement and the potential benefits of the Arrangement to the Company and Securityholders; the likelihood of the Arrangement being completed; steps of the Arrangement; statements relating to the business and future activities of, and developments related to, the Company after the date of this Information Circular and prior to the Effective Time and to and of the Company after the Effective Time; receipt of approval of the Securityholders and Court approval of the Arrangement; any regulatory approval of the Arrangement; and other events or conditions that may occur in the future. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might", or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements. These forward-looking statements are based on the beliefs of the Company's management, as well as on assumptions, which such management believes to be reasonable based on information currently available at the time such statements were made. However, there can be no assurance that the forward-looking statements will prove to be accurate. Such assumptions and factors include, among other things, the satisfaction of the terms and conditions of the Arrangement including the approval of the Arrangement and fairness by the Court, and the receipt of the required Securityholder approvals and any required governmental and regulatory approvals and consents. By their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation: the Arrangement Agreement may be terminated in certain circumstances, including in the event of a Material Adverse Effect on the Company, in which case an alternative transaction may not be available; there can be no certainty that all conditions precedent to the Arrangement will be satisfied, including the receipt of Securityholder, Court and other third party approvals; the Company will incur costs even if the Arrangement is not completed; the market price for the SV Shares may decline; Shareholders may exercise right of dissent; the pending Arrangement may divert the attention of the Company's management; lock-up agreements may discourage parties from attempting to acquire the Shares; the Arrangement may effect the Company's ability to attract and retain key personnel or affect third party business relationships; Securityholders will no longer hold an interest in the Company following completion of the Arrangement; there are income tax consequences of the Arrangement; executive officers of the Company have interests in the Arrangement that may be different from those of Securityholders generally; while the Arrangement is pending, the Company is restricted from soliciting alternative transactions; the Company and Purchaser may be the targets of claims which may delay or prevent the Arrangement from being completed; general business, economic, competitive, political, regulatory and social uncertainties; risks related to instability in the global economic climate; and risks related to new technological developments and intellectual property rights; and regulatory risks. This list is not exhaustive of the factors that may affect any of the forward-looking statements of the Company.

Forward-looking statements are statements about the future and are inherently uncertain. Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set out or incorporated by reference in this Information Circular generally and certain economic and business factors, some of which may be beyond the control of the Company. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the heading "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Risks Associated with the Arrangement*". The Company does not intend, and does not assume any obligation, to update any forward-looking statements, other than as required by applicable law. For all of these reasons, Securityholders should not place undue reliance on forward-looking statements.

**THE ARRANGEMENT AND THE PURCHASE PRICE TO BE PAID IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY CANADIAN SECURITIES ADMINISTRATOR, THE SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES IN ANY STATE IN THE UNITED STATES, NOR HAS ANY CANADIAN SECURITIES ADMINISTRATOR, THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE IN THE UNITED STATES PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

Shareholders should be aware that the payment to Shareholders of the Purchase Price pursuant to the Arrangement described herein may have tax consequences both in Canada and the United States. Such consequences for Shareholders may not be described fully herein. Shareholders who are resident in Canada are advised to review the summary contained in this Information Circular under the heading "*Certain Canadian Federal Income Tax Considerations*", and all Shareholders are urged to consult their own tax advisors to determine the particular tax consequences to them of the Arrangement in light of their particular situation, as well as any tax consequences that may arise under the laws of any other relevant provincial, foreign, state, local, or other taxing jurisdiction.

The Company is a company existing under the laws of British Columbia, Canada. The solicitation of Proxies by the Company is being made and the transactions contemplated herein is undertaken by a Canadian issuer in accordance with Canadian corporate and securities laws and is not subject to the requirements of Section 14(a) of the Exchange Act by virtue of an exemption applicable to proxy solicitations by "foreign private issuers" (as defined in Rule 3b-4 under the Exchange Act). Accordingly, this Information Circular has been prepared in accordance with the applicable disclosure requirements in Canada, and the solicitations and transactions contemplated in this Information Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, which are different from the requirements applicable to proxy solicitations under the Exchange Act. Securityholders should be aware that disclosure requirements under such Canadian laws are different from requirements under United States corporate and securities laws relating to issuers organized under United States laws, and this Information Circular has not been filed with or approved by the Securities and Exchange Commission or the securities regulatory authority of any state within the United States.

The enforcement by Securityholders in the United States of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is incorporated in a jurisdiction outside the United States, certain of its directors and executive officers are residents of Canada and certain of its assets and the assets of such persons are located outside the United States. Securityholders in the United States may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment by a United States court. As a result, it may be difficult or impossible for Securityholders in the United States to effect service of process within the United States upon the Company or its officers or directors or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. In addition, Securityholders resident in the United States should not assume that Canadian courts: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the securities laws of the United States or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the securities laws of the United States or "blue sky" laws of any state within the United States.

The financial statements of the Company included herein have been prepared in accordance with IFRS and are subject to Canadian auditing and auditor independence standards. As a result, such financial statements and financial information of the Company may not be comparable to and may differ in material ways to financial statements prepared in accordance with U.S. GAAP and United States auditing and auditor independence standards. U.S. Holders of Securities should consult with their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, and of how those differences might affect the financial information presented herein.

No broker, dealer, salesperson or other person has been authorized to give any information or make any representation other than those contained in this Information Circular and, if given or made, such information or representation must not be relied upon as having been authorized by the Company.

## GLOSSARY OF TERMS

In this Information Circular and accompanying Notice of Meeting, unless there is something in the subject matter inconsistent therewith, the following terms shall have the respective meanings set out below, words importing the singular number shall include the plural and vice versa and words importing any gender shall include all genders.

"**Acquisition Proposal**" means, other than the transactions between the Parties contemplated by the Arrangement Agreement, any proposal, offer, or expression of interest from any Person or group of Persons acting jointly or in concert, other than Purchaser or its affiliates, whether written or oral, direct or indirect, and whether or not delivered to the Securityholders, relating to:

(i) any issuance, sale, transfer or disposition (or any other arrangement having the same economic effect as a sale, transfer or disposition, including any license or lease thereof), directly or indirectly, individually or in the aggregate, in a single transaction or a series of related transactions, of:

(A) assets of XS and/or one or more of the XS Subsidiaries that represent 20% or more of the fair market value of such assets or contributing 20% or more of the revenues of XS and the XS Subsidiaries, taken as a whole; or

(B) 20% or more of the voting, equity, or equity-linked securities (or rights or interests in such voting or equity securities or securities convertible, exercisable or exchangeable therefore) of XS or any of the XS Subsidiaries;

(ii) any take-over bid, tender offer, exchange offer or any other similar transaction that, if consummated, would result in any Person or group of Persons legally or beneficially owning 20% or more of any class of voting, equity, or equity-linked securities (or securities convertible, exercisable or exchangeable therefore) of XS or any of the XS Subsidiaries;

(iii) any plan of arrangement, merger, amalgamation, consolidation, share exchange, issuer bid, business combination, reorganization, recapitalization, liquidation, dissolution, or any other similar transaction or series of related transactions involving XS or any of the XS Subsidiaries;

(iv) any other transaction or series of transactions similar to those referred to in paragraphs (i), (ii), or (iii), the consummation of which would reasonably be expected to impede, interfere with, prevent or delay the Arrangement and related transactions contemplated thereby; or

(v) any public announcement of an intention to do any of the foregoing.

"**affiliate**" has the meaning ascribed to that term in the National Instrument 45-106 *Prospectus Exemptions*.

"**Arrangement**" means the arrangement under Section 288 of the BCBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the Arrangement Agreement or the Plan of Arrangement or made at the direction of the Court in the Final Order, all subject to the terms and conditions of the Arrangement Agreement.

"**Arrangement Agreement**" means the arrangement agreement dated effective June 24, 2024 between XS and Purchaser, including all schedules thereto.

"**Arrangement Resolution**" means the resolution of the Securityholders approving the Arrangement and Plan of Arrangement, which is to be considered at the Meeting, substantially in the form set forth in Schedule "B" hereto.

"**Audit Committee**" means the audit committee of the Board.

"**Audit Report**" shall have the meaning ascribed thereto in the Arrangement Agreement.

"**BCBCA**" means the *Business Corporations Act* (British Columbia) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

"**Board**" means the board of directors of the Company as constituted from time to time.

"**Broadridge**" means Broadridge Financial Solutions, Inc.

"**Business Day**" means any day that is not a Saturday, a Sunday or a statutory or civic holiday in Vancouver, British Columbia or New York, New York.

"**Canadian Securities Administrators**" means the voluntary umbrella organization of Canada's provincial and territorial securities regulators.

"**CEO**" means the Chief Executive Officer of the Company.

"**CFO**" means the Chief Financial Officer of the Company.

"**Change in Recommendation**" means, prior to obtaining the requisite Securityholder approval of the Arrangement Resolution, the failure of the Board to recommend or the withdrawal, amendment, modification or qualification, in a manner adverse to Purchaser or failure to reaffirm its approval or recommendation of the Arrangement and the transactions contemplated in the Arrangement Agreement within five (5) Business Days (and in any case prior to the Meeting) after having been requested in writing by Purchaser to do so, it being understood that the taking of a neutral position or no position with respect to an Acquisition Proposal beyond such five (5) Business Day period (or beyond the date which is one day prior to the Meeting, if sooner) shall be considered an adverse modification.

"**Claims**" means any and all debts, costs, expenses, liabilities, obligations, losses and damages, penalties, proceedings, actions, suits, assessments, reassessments or claims of whatsoever nature or kind including regulatory or administrative (whether or not under common law, on the basis of contract, negligence, strict or absolute liability or liability in tort, or arising out of requirements of applicable Laws), imposed on, incurred by, suffered by, or asserted against any Person or any property, absolute or contingent, and, except as otherwise expressly provided herein, includes all reasonable out-of-pocket costs, disbursements and expenses paid or incurred by such Person in defending any action.

"**Closing**" means the date the Arrangement becomes effective, which is currently anticipated to be on or about September 11, 2024.

"**Company**" or "**XS**" means XS Financial Inc., a corporation existing under the BCBCA.

"**Compass Point**" means Compass Point Research & Trading LLC.

"**Compensation Committee**" means the compensation committee of the Board.

"**Completion Deadline**" means October 21, 2024.

"**Convertible Notes**" means the unsecured convertible notes of XS previously issued on October 28, 2021 and October 10, 2022, in respect of which the aggregate amount of US$40,753,454.87 was paid to the holders thereof in connection with the repayment thereof effective June 13, 2024.

"**Corporate Governance Committee**" means the corporate governance committee of the Board.

"**Court**" means the Supreme Court of British Columbia.

"**CSE**" means the Canadian Securities Exchange.

"**CSI Princesa**" means CSI Princesa Inc.

"**Debentures**" means the convertible debentures of XS in the principal amount of C$5,493,000, with accrued interest equal to C$123,592.50, in each case, as of the date of the Arrangement Agreement, which were originally issued on September 11, 2019.

"**Depositary**" means Odyssey Trust Company.

"**Dissent Procedures**" means the dissent procedures set out in Section 237 through Section 247 of the BCBCA, as modified by the Plan of Arrangement, the Interim Order, the Final Order and any other order of the Court.

"**Dissent Rights**" means the rights of dissent granted in favour of Registered Shareholders in the manner prescribed by Section 238 of the BCBCA with respect to such Shareholder's Shares in respect of the Arrangement Resolution, all as described in the Plan of Arrangement and the Interim Order.

"**Dissenting Company Shares**" means Shares held by a Dissenting Shareholder and in respect of which the Dissenting Shareholder has duly and validly exercised Dissent Rights.

"**Dissenting Shareholder**" means a Shareholder which has exercised Dissent Rights.

"**Effective Date**" means the date on which the Plan of Arrangement becomes effective in accordance with the Arrangement Agreement.

"**Effective Time**" means 12:01 a.m. (Pacific Standard Time) on the Effective Date.

"**Employment Agreements**" means the employment agreements to be entered into between each of David Kivitz, Justin Vuong and Antony Radbod and Xtraction, in each case, in form and substance reasonably acceptable to each of Purchaser and XS.

"**Encumbrance**" means any mortgage, hypothec, pledge, assignment, charge, lien, claim, security interest, adverse interest, other third Person interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing.

"**Equity Commitment Letter**" means the commitment letter dated June 24, 2024 delivered by the Sponsors in favour of Purchaser, pursuant to which the Sponsors have committed to indirectly make an equity investment in Purchaser, in an amount equal to the aggregate Purchase Price payable pursuant to the Arrangement.

"**Equity Incentive Plans**" means the equity incentive plans of the Company in respect of the SV Shares and the PV Shares, most recently approved by the Shareholders on August 26, 2022.

"**Exchange Act**" means the United States Exchange Securities Act of 1934, as amended and the rules and regulations promulgated thereunder.

"**Fairness Opinion**" means the oral and subsequent written opinion of Compass Point addressed to the Special Committee to the effect that the consideration to be received pursuant to the Arrangement is fair, from a financial point of view, to the Securityholders.

"**Final Order**" means the final order of the Court pursuant to section 291 of the BCBCA approving the Arrangement, in form and substance acceptable to both Purchaser and XS, each acting reasonably, as such order may be amended by the Court at any time prior to the Effective Date (with the consent of both Purchaser and XS, each acting reasonably) or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended (with the consent of both Purchaser and XS, each acting reasonably) on appeal.

"**Governmental Entity**" means any: (i) supranational, international, multinational, national, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, stock exchange or agency, whether domestic or foreign; (ii) any subdivision, agency, commission, board or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation, land use or occupation, or taxing authority under or for the account of any of the foregoing, including without limitation the CSE.

"**IASB**" means the International Accounting Standards Board.

"**IFRS**" means International Financial Reporting Standards, as adopted by the IASB.

"**Information Circular**" means this information circular to be sent to Securityholders in connection with the Meeting.

"**Interim Order**" means the interim order of the Court pursuant to section 291 of the BCBCA made following the application as contemplated by Section 2.3 of the Arrangement Agreement, in form and substance acceptable to both Purchaser and XS, each acting reasonably, containing declarations and directions in respect of the notice to be given in respect of, and the conduct of, the Meeting and the Arrangement, as such order may be amended, supplemented or varied by the Court (with the consent of both Purchaser and XS, each acting reasonably).

"**Intermediary**" includes a broker, investment dealer, bank, trust company, nominee or other intermediary.

"**Investment Committee**" means the investment committee of the Board.

"**Law**" or "**Laws**" means all laws, by-laws, statutes, rules, regulations, orders, ordinances, protocols, codes, guidelines, instruments, policies, notices, directions and judgments or other requirements of any Governmental Entity.

"**Letter of Transmittal**" means the letter of transmittal that accompanies this Information Circular for use by Registered Shareholders.

"**Lock-Up Agreements**" means the voting and support agreements dated June 24, 2024 and made between Purchaser and each of the Locked-Up Securityholders.

"**Locked-Up Securityholders**" means each of the officers and directors of XS and certain other Securityholders.

"**Material Adverse Effect**" shall have the meaning ascribed thereto in the Arrangement Agreement.

"**Material Contract**" shall have the meaning ascribed thereto in the Arrangement Agreement.

"**Meeting**" means the annual general and special meeting of Securityholders to be held on September 9, 2024 in accordance with applicable Law, for the purpose of considering and approving the Arrangement, amongst other matters, including any adjournment or postponement thereof.

"**MI 61-101**" means Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*.

"**Named Executive Officer**" or "**NEO**" shall have the meaning ascribed thereto under the heading "*Statement of Executive Compensation*".

"**Needham Facility**" means that certain Credit Agreement, dated as of August 8, 2022, by and among Xtraction, each lender party thereto and Needham Bank (as amended by that certain (a) First Amendment, dated December 21, 2022, (b) Second Amendment, dated April 27, 2023, and (c) Third Amendment, dated June 4, 2024).

"**NI 52-110**" means National Instrument 52-110 *Audit Committees*.

"**NI 58-101**" means National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

"**Non-Registered Securityholders**" means Securityholders that do not hold their Securities in their own name and whose Securities are held through an Intermediary.

"**Non-Registered Shareholders**" means Shareholders that do not hold their Shares in their own name and whose Shares are held through an Intermediary.

"**Notice of Dissent**" means a written notice of objection to the Arrangement Resolution with respect to all Shares held by a Shareholder, prepared and delivered in compliance with Section 237 through Section 247 of the BCBCA.

"**Notice of Meeting**" means the Notice of Annual General and Special Meeting attached to this Information Circular.

"**Notice Shares**" means, in relation to a Notice of Dissent, the Shares in respect of which dissent is being exercised under the Notice of Dissent.

"**Optionholder**" means a holder of Options.

"**Options**" means stock options issued pursuant to, or governed by, the Equity Incentive Plans.

"**Ordinary Course of Business**" when used in relation to the taking of any action by XS or the XS Subsidiaries means that the action (a) is consistent in nature, scope and magnitude with the past practices of XS and the XS Subsidiaries and is taken in the ordinary course of their normal day-to-day operations, and (b) does not require the authorization of the shareholder(s) of XS or any XS Subsidiary.

"**Parties**" means XS and Purchaser.

"**Person**" means an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status.

"**Plan of Arrangement**" means the plan of arrangement giving effect to the Arrangement in substantially the form appended as Schedule "D" hereto, and any amendment or variation thereto made in accordance with Article 5 of the Plan of Arrangement or Section 7.1 of the Arrangement Agreement or at the direction of the Court in the Final Order, with the consent of Purchaser and XS, each acting reasonably.

"**Proxy**" means the form of proxy in respect of the Meeting accompanying this Information Circular.

"**Purchase Price**" means the purchase price payable for each one (1) Share pursuant to the Arrangement, which shall be (i) Cdn$0.05265 per SV Share; and (ii) Cdn$52.65 per PV Share.

"**Purchaser**" means XS Acquisition Portfolio LLC, a limited liability company formed under the laws of Delaware.

"**PV Shares**" means the proportionate voting shares in the capital of XS.

"**Registered Securityholder**" means, as applicable, the Person whose name appears on the register of the Company as the owner of Securities.

"**Registered Shareholder**" means, as applicable, the Person whose name appears on the register of the Company as the owner of Shares.

"**Registrar**" means the Registrar of Companies appointed under the BCBCA.

"**Regulatory Approvals**" means those sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the waiver or lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of governmental entities.

"**SEC**" means the United States Securities and Exchange Commission.

"**Securities Act**" means the *Securities Act* (Ontario) and the regulations made thereunder.

"**SEDAR+**" means the System for Electronic Document Analysis and Retrieval + as outlined in National Instrument 13-103 *System for Electronic Document Analysis and Retrieval + (SEDAR+)*, which can be accessed online at www.sedarplus.ca.

"**Securities**" means the Shares, Options and Warrants, collectively.

"**Securityholders**" means the Shareholders, Optionholders and Warrantholders, collectively.

"**Shareholder**" means a holders of one or more Shares.

"**Shares**" means the SV Shares and the PV Shares, collectively.

"**Special Committee**" shall have the meaning ascribed thereto under the heading "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Background of the Transaction*".

"**Sponsors**" means Blackwell Partners LLC – Series E, Star V Partners LLC and AMXS FinCo JV LLC.

"**Superior Proposal**" means any *bona fide* unsolicited written Acquisition Proposal made by an arm's length third party that is made after the execution of the Arrangement Agreement (and not obtained in connection with a violation of Section 6.1 thereof) to acquire all or substantially all of the assets of XS (on a consolidated basis) or 100% of the Shares not beneficially owned by the party making such Acquisition Proposal and any joint actor or any of their respective affiliates, whether by way of a single or multistep transaction or a series of related transactions, and that the Board unanimously (excluding directors who abstain from voting) determines in good faith (based upon the advice from its financial advisors and outside legal counsel) (i) complies with applicable securities Laws; (ii) is reasonably capable of being completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such proposal and the party making such proposal; (iii) is not subject to any financing

condition; (iv) is not subject to a due diligence or access to information condition; and (v) after taking into account all the terms and conditions of the Acquisition Proposal, including all legal, financial, regulatory and other aspects of such Acquisition Proposal and the party or parties making such Acquisition Proposal, would, if consummated in accordance with its terms and taking into account the risk of non-completion, result in a transaction which (A) is more favourable to the Securityholders (other than Purchaser and its affiliates and any of their respective joint actors and their respective affiliates), from a financial point of view, than the Arrangement (including any amendments to the terms and conditions of the Arrangement proposed by Purchaser pursuant to Section 6.2 of the Arrangement Agreement) and (B) the failure to recommend such transaction to the Securityholders would be inconsistent with the Board's fiduciary duties under applicable Law.

"**SV Shares**" means the subordinate voting shares in the capital of XS.

"**Tax Act**" means the *Income Tax Act* (Canada), as amended from time to time, and the regulations made thereunder.

"**Taxes**" means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Governmental Entity, including all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, transfer taxes (including, taxes relating to the transfer of interests in real property or entities holding interests therein), franchise taxes, licence taxes, withholding taxes, payroll taxes, employment taxes, employer health taxes, Canada Pension Plan and other government pension plan premiums, excise, severance, social security, workers' compensation, employment/unemployment insurance or compensation taxes or premiums, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, harmonized sales tax, customs duties or other taxes, fees, imports, assessments or charges of any kind whatsoever, including any requirement to pay or repay any amount to a Governmental Entity in respect of a tax credit, refund, rebate, governmental grant or subsidy, overpayment, or similar adjustment of Taxes, together with any tax indemnity obligation, interest and any penalties or additional amounts imposed by any Governmental Entity, with respect to the foregoing, and whether disputed or not.

"**Termination Fee**" means the sum of US$1,000,000.

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.

"**U.S. GAAP**" means United States generally accepted accounting principles.

"**U.S. Holder**" means a beneficial owner of a Share who is, for U.S. federal income tax purposes: (i) an individual citizen or resident of the United States; (ii) a corporation or other entity classified as a corporation created or organized in or under the laws of the United States or any political subdivision thereof; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if: (i) a court within the United States can exercise primary supervision over it, and one or more United States persons have the authority to control all substantial decisions of the trust, or (ii) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

"**Warrantholder**" means a holder of Warrants.

"**Warrants**" means the outstanding share purchase warrants to purchase Shares issued by XS.

"**XS Subsidiaries**" means Xtraction, XSF SPC LLC and CSI Princesa.

"**XS Annual Financials**" shall have the meaning ascribed thereto in the Arrangement Agreement.

"**Xtraction**" means Xtraction Services Inc.

## SUMMARY

This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Information Circular, including the Schedules which are attached to and form part of this Information Circular. Terms with initial capital letters in this summary are defined in the Glossary of Terms immediately preceding this summary.

### The Meeting

The Meeting will be held at 9:00 a.m. (Pacific Standard Time) on September 9, 2024 subject to any necessary adjournment or postponement thereof. The Company strongly recommends that Securityholders vote by Proxy or voting instruction form in advance to ease the voting tabulation at the Meeting by the Depositary.

### Record Date

Only Securityholders of record at the close of business on August 2, 2024 will be entitled to receive notice of and vote at the Meeting.

### Purpose of the Meeting

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to (i) set the number of directors of the Company; (ii) elect directors; and (iii) appoint the auditor of the Company. In addition, at the Meeting, Securityholders will be asked to consider and, if deemed advisable, to pass the Arrangement Resolution to approve the Arrangement.

The full text of the Arrangement Resolution is set forth in Schedule "B" to this Information Circular.

In order to implement the Arrangement, the Arrangement Resolution must be approved, with or without amendment, by at least:

(i) 66 2/3% of the votes cast on the Arrangement Resolution by the holders of PV Shares present in person or represented by proxy at the Meeting;

(ii) 66 2/3% of the votes cast on the Arrangement Resolution by the holders of SV Shares present in person or represented by proxy at the Meeting;

(iii) 66 2/3% of the votes cast on the Arrangement Resolution by all Securityholders present in person or represented by proxy at the Meeting, voting together as a single class;

(iv) a majority of the votes cast by the holders of SV Shares present in person or represented by proxy at the Meeting, excluding for this purpose votes attached to SV Shares held directly or indirectly by Messrs. David Kivitz, Antony Radbod and Justin Vuong; and

(v) a majority of the votes cast by the holders of PV Shares present in person or represented by proxy at the Meeting, excluding for this purpose votes attached to PV Shares held directly or indirectly by Messrs. David Kivitz, Antony Radbod and Justin Vuong.

See "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Special Committee*".

### The Arrangement

The Arrangement will constitute a plan of arrangement of XS and Purchaser. In order for the Arrangement to be effective, it must be approved by Securityholders represented in person or by proxy at the Meeting as noted above under the heading "*Summary – Purpose of the Meeting*". The disclosure of the principal features of the Arrangement, as summarized below and as disclosed in more detail elsewhere in this Information Circular, is qualified in its entirety by reference to the full text of the Arrangement Agreement.

XS is a specialty finance company providing capital expenditure and equipment financing solutions to cannabis companies in the United States. XS expects to continue and restructure its business following the Effective Date; however, the purpose of the Arrangement is to provide for the acquisition of all of the issued and outstanding Shares by Purchaser and to delist the SV Shares from the CSE and OTCQB in order to continue the operations of the Company as a privately owned enterprise following the completion of the Arrangement.

Under the Plan of Arrangement, the following principal steps shall occur and shall be deemed to occur commencing at the Effective Time without any further act or formality, in the order and timing set out in the Plan of Arrangement:

(a) each Option outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms or conditions of either of the Equity Incentive Plans, shall, without any further action by or on behalf of any Person (including any Optionholder), immediately be cancelled and, for greater certainty, neither any Party nor the Depositary shall be obligated to pay any Optionholder any amount in respect of such Option so cancelled;

(b) each Warrant outstanding immediately prior to the Effective Time, notwithstanding the terms or conditions of any certificate, indenture or other contract governing such Warrant, shall, without any further action by or on behalf of any Person (including any Warrantholder), immediately be cancelled and, for greater certainty, neither any Party nor the Depositary shall be obligated to pay any Warrantholder any amount in respect of such Warrant so cancelled;

(c) (i) the name of each Optionholder or Warrantholder, as the case may be, shall be removed from each applicable register maintained by XS; and (ii) the Equity Incentive Plans and all certificates, indentures and other contracts relating to the Options and the Warrants shall be terminated and shall be of no further force and effect;

(d) each of the Dissenting Company Shares shall be deemed to have been transferred without any further act or formality on the part of any Person (including any Shareholder) to Purchaser (free and clear of all Encumbrances), and:

(i) such Dissenting Shareholders shall cease to be the holders of such Shares and shall cease to have any rights as holders of such Shares other than the right to be paid fair value for such Shares as set out in the Plan of Arrangement;

(ii) such Dissenting Shareholders' names shall be removed as the holders of such Shares from the central securities registers of Shares maintained by or on behalf of XS; and

(iii) Purchaser shall be deemed to be the transferee of such Shares free and clear of all Encumbrances, and Purchaser shall be entered in the central securities registers of Shares maintained by or on behalf of XS as the holder of such Shares; and

(e) concurrently with the step set out in paragraph (d), each Share outstanding immediately prior to the Effective Time (other than Dissenting Company Shares held by a Dissenting Shareholder who has validly exercised their Dissent Right, or held by Purchaser or any of its affiliates) shall, without any further action by or on behalf of any Person (including any Shareholder), be deemed to be assigned and transferred by the holder thereof to Purchaser (free and clear of all Encumbrances) in exchange for the Purchase Price for each Share held, and:

(i) the holders of such Shares shall cease to be the holders thereof and to have any rights as holders of such Shares other than the right to be paid the amount of the Purchase Price payable for all such Shares held by such Shareholders pursuant to the terms of the Arrangement Agreement;

(ii) such Shareholders' names shall be removed from the central securities registers of the Shares maintained by or on behalf of XS; and

(iii) Purchaser shall be deemed to be the transferee of such Shares (free and clear of all Encumbrances) and Purchaser shall be entered in the central securities registers of the Shares maintained by or on behalf of XS.

Immediately following completion of the Plan of Arrangement, Securityholders will no longer hold any interest in XS and XS shall continue as a privately operated enterprise. Concurrently with the execution of the Arrangement Agreement, the Sponsors and Purchaser entered into the Equity Commitment Letter pursuant to which the Sponsors have committed to indirectly make an equity investment in Purchaser, in an amount equal to the aggregate Purchase Price payable pursuant to the Arrangement. Pursuant to the Arrangement Agreement, Purchaser will, following receipt of the Final Order and at least one (1) Business Day prior to the Effective Date, transfer or cause to be transferred to the Depositary sufficient funds in order to provide the Depositary with sufficient funds to pay the aggregate Purchase Price payable for the Shares outstanding pursuant to the Plan of Arrangement

(other than with respect to Shareholders exercising Dissent Rights as provided in the Plan of Arrangement), into escrow with the Depositary (the terms and conditions of such escrow to be satisfactory to Purchaser and XS, each acting reasonably).

**Lock-Up Agreements**

On June 24, 2024, the Locked-Up Securityholders entered into the Lock-Up Agreements with Purchaser pursuant to which they have agreed, on and subject to the terms thereof, among other things, to vote in favour the Arrangement Resolution. The Lock-Up Agreements set forth, among other things, the agreement of such Locked-Up Securityholders to vote their Securities in favour of the Arrangement. As at the date of the Lock-Up Agreements, such Locked-Up Securityholders held approximately 48% of the issued and outstanding SV Shares, approximately 99% of the issued and outstanding PV Shares, approximately 84% of the issued and outstanding Options and approximately 10% of the issued and outstanding Warrants. The Locked-Up Securityholders include all directors and executive officers of the Company.

**Parties to the Arrangement**

***The Company***

XS Financial Inc. is a specialty finance company providing capital expenditure and equipment financing solutions to cannabis companies in the United States. The Company, which changed its name from Xtraction Services Holdings Corp. on June 24, 2020 and was formerly known as Caracara Silver Inc., was incorporated under the laws of the Province of British Columbia on December 3, 2009. The Company's SV Shares are traded on the CSE under the symbol "XSF" and on the OTCQB under the symbol "XSHLF".

***Purchaser***

XS Acquisition Portfolio LLC is a limited liability company formed under the laws of Delaware and a US based affiliate of a U.S. alternative asset fund operated by Axar Capital Management LP ("**Axar**").

**Recommendation of the Special Committee**

After taking into consideration, among other things, a thorough review of the Arrangement Agreement and the Fairness Opinion regarding the fairness, from a financial point of view, of the Arrangement (based on the Plan of Arrangement and Arrangement Agreement) to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101), the Special Committee concluded that the Arrangement is in the best interests of the Company and is fair to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101). **Accordingly, the Special Committee unanimously recommended to the Board that the Arrangement Agreement be approved and that the Board recommend that Securityholders vote FOR the Arrangement Resolution.**

**Recommendation of the Board**

After taking into consideration, among other things, a thorough review of the Arrangement Agreement, the recommendation of the Special Committee and the Fairness Opinion regarding the fairness, from a financial point of view, of the Arrangement (based on the Plan of Arrangement and Arrangement Agreement) to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101), the Board concluded that the Arrangement is in the best interests of the Company and is fair to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101). **Accordingly, the Board unanimously (with Messrs. Kivitz and Radbod abstaining due to their respective interest in the Arrangement) approved the Arrangement Agreement and the transactions contemplated thereby, and recommends that Securityholders vote FOR the Arrangement Resolution.**

**Reasons for the Arrangement**

The Board has reviewed and considered all information and considered a number of factors relating to the Arrangement with the benefit of advice from the Company's senior management and its financial and legal advisors. The following is a summary of the overall purpose and benefits of the Arrangement, and the principal reasons for the recommendation of the Board that Securityholders vote FOR the Arrangement Resolution:

(a) Fairness Opinion. The Fairness Opinion to the effect that, as of June 24, 2024 subject to the assumptions, limitations and qualifications contained therein, the Arrangement (based on the Plan of Arrangement and Arrangement Agreement) is fair, from a financial point of view, to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101).

(b) Cash Consideration. The consideration to be paid to Shareholders will be comprised entirely of cash thereby providing Shareholders with immediate liquidity and certainty of value.

(c) Strategic Review. The determination to proceed with the Arrangement was reached as part of a strategic review that included consideration by the Board of a broad range of alternative value-enhancing proposals, including a canvass of potential interested strategic and financial parties regarding alternative transactions involving an acquisition of all of the Shares.

(d) Compelling Value Relative to Alternatives. The Special Committee and the Board, with the assistance of their advisors, and based upon their collective knowledge of the business, operations, financial condition, earnings and prospects of XS, as well as their collective knowledge of the current and prospective environment in which XS operates (including economic and market conditions related to the cannabis industry and otherwise), assessed the relative benefits and risks of various alternatives reasonably available to XS. Following assessment by the Special Committee and the Board of each reasonably available alternative, they ultimately concluded that entering into the Arrangement Agreement with the Purchaser was the most favourable alternative reasonably available to the Shareholders.

(e) Arm's Length Negotiations. The Arrangement is the result of arm's-length negotiations between the Company and Purchaser. The Board and the Special Committee believe that the Purchase Price represents the highest price that Purchaser is willing to pay for the Securities.

(f) Timing. The Special Committee and the Board believe that the Arrangement is likely to be completed in accordance with its terms and within a reasonable time, thereby allowing the Shareholders to receive the consideration payable pursuant to the Arrangement in a relatively short time frame.

(g) Likelihood of the Arrangement Being Completed. The likelihood of the Arrangement being completed is considered by the Special Committee and the Board to be high in light of the financial capability of Purchaser. Further, the likelihood of obtaining the requisite Securityholder approval of the Arrangement Resolution is also considered by the Board to be high in consideration of the Lock-Up Agreements entered into on June 24, 2024 whereby the Locked-Up Securityholders, holding approximately 48% of the issued and outstanding SV Shares, approximately 99% of the issued and outstanding PV Shares, approximately 84% of the issued and outstanding Options and approximately 10% of the issued and outstanding Warrants have agreed to vote in favour of the Arrangement Resolution.

(h) Required Approvals of Securityholders and Court. The following required approvals protect the rights of Securityholders:

(i) the Arrangement must be approved by at least:

(A) 66 2/3% of the votes cast on the Arrangement Resolution by the holders of PV Shares present in person or represented by proxy at the Meeting;

(B) 66 2/3% of the votes cast on the Arrangement Resolution by the holders of SV Shares present in person or represented by proxy at the Meeting;

(C) 66 2/3% of the votes cast on the Arrangement Resolution by all Securityholders present in person or represented by proxy at the Meeting, voting together as a single class;

(D) a majority of the votes cast by the holders of SV Shares present in person or represented by proxy at the Meeting, excluding for this purpose votes attached to SV Shares held directly or indirectly by Messrs. David Kivitz, Antony Radbod and Justin Vuong; and

(E) a majority of the votes cast by the holders of PV Shares present in person or represented by proxy at the Meeting, excluding for this purpose votes attached to PV Shares held directly or indirectly by Messrs. David Kivitz, Antony Radbod and Justin Vuong; and

(ii) the Arrangement must also be sanctioned by the Court, which will consider the fairness of the Arrangement to Securityholders.

The foregoing discussion summarizes the material information and factors considered by the Board in their consideration of the Plan of Arrangement. The Board collectively reached its decision with respect to the Plan of Arrangement in light of the factors

described above and other factors that each member of the Board felt were appropriate. In view of the wide variety of factors and the quality and amount of information considered, the Board did not find it useful or practicable to, and did not make specific assessments of, quantify, rank or otherwise assign relative weights to the specific factors considered in reaching its determination. Individual members of the Board may have given different weight to different factors. For further information on the reasons for the Arrangement, see "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Reasons for the Arrangement*" and *"Particulars of Matters to be Acted Upon – Approval of the Arrangement – Recommendation of the Board*" in this Information Circular.

**Fairness Opinion**

Compass Point has provided the Fairness Opinion to the Special Committee in respect of the fairness of the terms of the Arrangement, from a financial point of view, to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101). Based upon its review and such other matters as Compass Point has considered relevant, and subject to the limitations stated in the Fairness Opinion, it is its opinion that, as of June 24, 2024, the Arrangement is fair, from a financial point of view, to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101). For further information, see the Fairness Opinion attached to this Information Circular as Schedule "C" and "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Fairness Opinion*" in this Information Circular.

**The Arrangement Agreement**

The Parties have entered into the Arrangement Agreement governing the terms and conditions of the Arrangement. Pursuant to the Arrangement Agreement, at the Effective Time all of the issued and outstanding Shares, other than those held by Dissenting Shareholders, shall be acquired by Purchaser in consideration of payment of the Purchase Price pursuant to the terms and conditions of the Plan of Arrangement.

XS and Purchaser have agreed to implement the Arrangement in accordance with the Arrangement Agreement and the Plan of Arrangement. As of the date of this Information Circular, the Company has obtained the Interim Order providing for, among other things, the calling and holding of the Meeting as further described herein.

*Conditions to the Arrangement Becoming Effective*

In order for the Arrangement to become effective, the Arrangement Agreement provides that subject to certain notice and cure provisions, the following conditions must have been satisfied or waived prior to the Effective Time:

Mutual Conditions

The obligation of each of XS and Purchaser to complete the Arrangement is subject to the satisfaction or waiver of the following mutual conditions:

(a) the Interim Order shall have been granted in form and substance satisfactory to Purchaser and XS, each acting reasonably, and shall not have been set aside or modified in a manner unacceptable to Purchaser or XS, each acting reasonably, on appeal or otherwise;

(b) the Arrangement Resolution shall have been passed by the Securityholders in accordance with the Interim Order and the applicable provisions of the BCBCA and MI 61-101;

(c) the Final Order shall have been granted in form and substance satisfactory to Purchaser and XS, each acting reasonably, and shall not have been set aside or modified in a manner unacceptable to Purchaser and XS, each acting reasonably, on appeal or otherwise;

(d) there shall not be in force any Laws, ruling, order or decree, and there shall not have been any action taken under any Laws or by any Governmental Entity or other regulatory authority, that makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the consummation of the Arrangement in accordance with the terms of the Arrangement Agreement or results or could reasonably be expected to result in a judgment, order, decree or assessment of damages, directly or indirectly, relating to the Arrangement that would, or would reasonably be expected to, prevent the prompt completion of the Arrangement, or has, or could reasonably be expected to have, a Material Adverse Effect on XS;

(e) (A) all consents, waivers, permits, exemptions, orders and approvals of, and any registrations and filings with, any Governmental Entity, in connection with, or required to permit, the completion of the Arrangement including the Laws of any jurisdiction which Purchaser and XS reasonably determine to be applicable, and (B) all third Person and other consents, waivers, permits, exemptions, orders, approvals, agreements and amendments and modifications to agreements, indentures or arrangements, shall have been obtained or received on terms that are reasonably satisfactory to Purchaser and XS, each acting reasonably;

(f) there shall not have been any legal action commenced by any Person (including any Governmental Entity) in any jurisdiction seeking to prohibit or restrict the Arrangement; and

(g) the Employment Agreements shall be executed and not amended, revoked or terminated without the prior written consent of Purchaser and XS.

Conditions to the Obligations of XS

The obligation of XS to complete the Arrangement is subject to the satisfaction or waiver of the following conditions:

(a) the representations and warranties made by Purchaser in the Arrangement Agreement shall be true and correct in all respects without regard to any materiality qualifications contained in them, as of the Effective Date, as though made on and as of the Effective Date (except for representations and warranties made as of a specified date, which shall be determined as of that specified date), except to the extent that the failure or failures of such representations and warranties to be so true and correct in all respects, individually or in the aggregate, would not, or would not reasonably be expected to, prevent or materially impede, interfere with or delay the consummation of the Arrangement, and XS shall have received a certificate of Purchaser to such effect; and

(b) Purchaser shall have complied in all material respects with its covenants in the Arrangement Agreement and XS shall have received a certificate of Purchaser to such effect.

Conditions to Obligations of Purchaser

The obligation of Purchaser to complete the Arrangement is subject to the fulfillment of the following conditions prior to the Effective Time, which may be waived only by Purchaser in its sole discretion:

(a) the representations and warranties made by XS in the Arrangement Agreement (subject to certain exceptions) shall be true and correct in all respects without regard to any materiality or Material Adverse Effect qualifications contained in them, as of the Effective Date as though made on and as of the Effective Date (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except, in the case of certain representations and warranties, to the extent that the failure or failures of such representations and warranties to be so true and correct in all respects, individually or in the aggregate, would not, or would not reasonably be expected to, result in a Material Adverse Effect, and Purchaser shall have received a certificate of XS addressed to Purchaser to such effect;

(b) XS shall have complied in all material respects with its covenants in the Arrangement Agreement and Purchaser shall have received a certificate of XS to such effect, including attaching resolutions of the Board confirming approval of the transfer of the issued and outstanding Shares;

(c) since the date of the Arrangement Agreement, there shall not have been any change, event, occurrence, effect, state of facts or circumstance that, individually or in the aggregate, has had, or would reasonably be expected to have, a Material Adverse Effect;

(d) at the Effective Time, there shall not have been exercised Dissent Rights with respect to (i) PV Shares representing more than 5% of the aggregate number of issued and outstanding PV Shares or (ii) SV Shares representing more than 5% of the aggregate number of issued and outstanding SV Shares;

(e) XS shall not be in default under the terms of the Needham Facility;

(f) the Convertible Notes shall have been repaid;

(g) CSI Princesa shall have been liquidated and dissolved at least three Business Days prior to the Effective Date, in accordance with the provisions of the *Business Corporations Act* (Ontario) and the Arrangement Agreement;

(h) (i) the Audit Report shall have been prepared and filed to the satisfaction of the British Columbia Securities Commission (which shall be confirmed by the British Columbia Securities Commission in writing) and (ii) no further action on the part of the Company shall be required to be taken in connection therewith; and

(i) the Company shall not have been required (whether by Law, at the demand or request of a Governmental Entity or otherwise) to materially amend, restate, modify or supplement the XS Annual Financials; provided, for the avoidance of doubt, any such amendment, restatement, modification or supplement shall be deemed to be material if, in the reasonable opinion of the Purchaser's external legal counsel, such amendment, restatement, modification or supplement may give rise to any liability in respect of a misrepresentation in the Company's public disclosure pursuant to applicable securities Laws.

These conditions may be waived in accordance with the Arrangement Agreement. For further details of the conditions of the Arrangement, please see "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – The Arrangement Agreement – Conditions to the Arrangement Becoming Effective*".

Pursuant to the Arrangement Agreement, XS has agreed not to, among other things, solicit, initiate or encourage any Acquisition Proposals. However, the Board has the right to consider and accept a Superior Proposal under certain conditions and Purchaser has the right to propose to amend the terms of the Arrangement Agreement and the Arrangement, such that acceptance by XS would result in the Acquisition Proposal not being a Superior Proposal, as further set forth in the Arrangement Agreement.

If the Arrangement Resolution is approved at the Meeting, the Company will apply to the Court for the Final Order on September 11, 2024. If the Final Order is obtained, subject to the satisfaction or waiver of any conditions contained in the Arrangement Agreement, the Arrangement will become effective in accordance with the Final Order.

For further details regarding the Arrangement Agreement, please see "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – The Arrangement Agreement*".

**Court Approval of the Arrangement**

The Arrangement requires Court approval under the BCBCA. Under the BCBCA, the Company is allowed to apply for the Interim Order and is required to apply for the Final Order to obtain the approval of the Court to the calling of the Meeting and to the Arrangement. On August 7, 2024, the Company obtained the Interim Order providing for the calling and holding of the Meeting, Dissent Rights and other procedural matters. A copy of the Interim Order is attached as Schedule "E" to the Information Circular.

Following receipt of Securityholder approval of the Arrangement Resolution, the Company intends to make application to the Court for the Final Order at 9:45 a.m. (Pacific Standard Time), or as soon thereafter as counsel may be heard, on September 11, 2024 at 800 Smithe Street, Vancouver, British Columbia, Canada, or at any other date and time as the Court may direct. In deciding whether to grant the Final Order, the Court will consider, among other things, the fairness of the Arrangement to Shareholders. Any Shareholder or holder of Options or Warrants who wishes to appear or be represented and to present evidence or arguments at that hearing must file and serve a response to petition no later than 4:00 p.m. (Pacific Standard Time) on September 9, 2024 along with any other documents required, all as set out in the Interim Order and Notice of Hearing of Petition, the text of which are set out in Schedule "E" to this Information Circular and satisfy any other requirements of the Court. Such persons should consult with their legal advisors as to the necessary requirements. The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, and subject to compliance with such terms and conditions, if any, as the Court sees fit. See "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Court Approval of the Arrangement*".

A copy of the Notice of Hearing of Petition for the Final Order approving the Arrangement is attached as Schedule "E" to the Information Circular. Securityholders who wish to participate in or be represented at the Court hearing should consult with their legal advisors as to the necessary requirements.

**Stock Exchange Approval**

The issued and outstanding SV Shares are listed for trading on the CSE and OTCQB. The Company has applied to de-list the SV Shares from the CSE upon completion of the Arrangement. The Company has not yet received conditional approval from the

CSE for the Arrangement or the delisting of the SV Shares. There can be no guarantee that CSE conditional approval of the de-listing will be obtained. The disclosure in this Information Circular has not been reviewed by the CSE. The SV Shares will also be delisted from the OTCQB in conjunction with the Arrangement and CSE delisting. Please see "*Particulars of Matters to be Acted Upon – Approval of the Arrangement*" in the Information Circular.

**Dissent Rights**

Shareholders are entitled to exercise Dissent Rights in respect of the Arrangement Resolution under Section 237 through Section 247 of the BCBCA. See "*Particulars of Matters to be Acted Upon – Dissent Rights*".

**Treatment of Options and Warrants**

As noted above, under the Plan of Arrangement, at the Effective Time without any further act or formality:

(a) each Option outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms or conditions of either of the Equity Incentive Plans, shall, without any further action by or on behalf of any Person (including any Optionholder), immediately be cancelled and, for greater certainty, neither any Party nor the Depositary shall be obligated to pay any Optionholder any amount in respect of such Option so cancelled;

(b) each Warrant outstanding immediately prior to the Effective Time, notwithstanding the terms or conditions of any certificate, indenture or other contract governing such Warrant, shall, without any further action by or on behalf of any Person (including any Warrantholder), immediately be cancelled and, for greater certainty, neither any Party nor the Depositary shall be obligated to pay any Warrantholder any amount in respect of such Warrant so cancelled;

(c) the name of each Optionholder or Warrantholder, as the case may be, shall be removed from each applicable register maintained by XS; and

(d) the Equity Incentive Plans and all agreements, certificates and indentures relating to the Options and the Warrants shall be terminated and shall be of no further force and effect.

See "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Principal Steps of the Arrangement*".

Any Optionholder or Warrantholder who wishes to appear or be represented and to present evidence or arguments at that hearing of the application for the Final Order must file and serve a response to petition no later than 4:00 p.m. (Pacific Standard Time) on September 9, 2024 along with any other documents required, all as set out in the Interim Order and the Notice of Hearing on Petition.

**Income Tax Considerations**

Shareholders should carefully review the tax considerations described in this Information Circular and are urged to consult their own tax advisors in regard to their particular circumstances. See "*Certain Canadian Federal Income Tax Considerations*".

**Risk Factors**

Securityholders should carefully consider the risk factors relating to the Arrangement. Some of these risks include, but are not limited to: (i) the Arrangement Agreement may be terminated or amended in certain circumstances; (ii) there can be no certainty that all conditions precedent to the Arrangement will be satisfied; (iii) the Company will incur costs even if the Arrangement is not completed; (iv) directors and executive officers of the Company have interests in the Arrangement; and (v) the risks to XS if the Arrangement is not completed, including the opportunity cost to XS in pursuing the Arrangement to the exclusion of other possible strategies. For more information see "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Risks Associated with the Arrangement*". Additional risks and uncertainties, including those currently unknown or considered immaterial by the Company, may also adversely affect the Company. Securityholders should also carefully consider the risk factors associated with the business of XS included in this Information Circular.

## GENERAL PROXY INFORMATION

### Solicitation of Proxies

The solicitation of Proxies will be primarily by mail, but Proxies may be solicited personally or by telephone by directors, officers and regular employees of the Company. The Company will bear all costs of this solicitation. The Company has arranged to send Meeting materials directly to Registered Securityholders, as well as Non-Registered Securityholders who have consented to their ownership information being disclosed by the Intermediary holding the Securities on their behalf (non-objecting beneficial owners). The Company has also arranged for Intermediaries to forward the meeting materials to Non-Registered Securityholders who have objected to their ownership information being disclosed by the Intermediary holding the Securities on their behalf (objecting beneficial owners). The Company will pay for Intermediaries to forward this Information Circular, the Proxy or a voting instruction form to objecting beneficial owners under National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators. As a result, objecting beneficial owners will receive the Information Circular and associated Meeting materials from their Intermediary.

### Appointment and Revocation of Proxies

The individuals named in the accompanying form of Proxy are officers of the Company or solicitors for the Company. **If you are a Registered Securityholder, you have the right to attend the Meeting or vote by proxy and to appoint a person or company other than the person designated in the Proxy, who need not be a Securityholder, to attend and participate on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of Proxy or otherwise in accordance with applicable law.**

Registered Securityholders or their respective duly appointed proxyholders are entitled to attend and vote their Securities at the Meeting. Registered Securityholders who are unable to or do not wish to attend the Meeting and who wish to ensure that their Securities will be voted at the Meeting are urged to complete, sign and deliver the enclosed form of Proxy to Odyssey Trust Company, 702-67 Yonge Street, Toronto, Ontario, M5E 1J8 in accordance with the instructions and timing requirements set forth herein and on the form of Proxy.

In order to be valid and acted upon at the Meeting, forms of Proxy must be returned to Odyssey Trust Company not later than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournments thereof. Every Proxy may be revoked by an instrument in writing:

(i) executed by the Securityholder or by his/her attorney authorized in writing or, where the Securityholder is a company, by a duly authorized officer or attorney of the company; and

(ii) delivered either to the registered office of the Company at any time up to and including the last Business Day preceding the day of the Meeting or any adjournment or postponement thereof, at which the Proxy is to be used, or in any other manner provided by law.

**Only Registered Securityholders have the right to revoke a Proxy. Non-Registered Securityholders who wish to change their vote must, at least seven days before the Meeting, arrange for their respective Intermediaries to revoke the Proxy on their behalf.** If you are a Non-Registered Securityholder, see "*General Proxy Information – Voting by Non-Registered Securityholders*" below for further information on how to vote your Securities.

### Exercise of Discretion by Proxyholder

If you have the right to vote by proxy, the persons named in the Proxy will vote or withhold from voting the Securities represented thereby in accordance with your instructions. If you specify a choice with respect to any matter to be acted upon, your Securities will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

(i) each matter or group of matters identified therein for which a choice is not specified;

(ii) any amendment to or variation of any matter identified therein; and

(iii) any other matter that properly comes before the Meeting.

**In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Securities represented by the Proxy for the approval of such matter.** Management is not currently aware of any other matters that may come before the Meeting.

**Voting by Registered Securityholders**

If you are a Registered Securityholder you may wish to vote by proxy whether or not you are able to attend the Meeting. Registered Securityholders electing to submit a proxy may do so by completing, dating and signing the enclosed form of Proxy and returning it to Odyssey Trust Company, 702-67 Yonge Street, Toronto, Ontario, M5E 1J8, in accordance with the instructions on the Proxy. In all cases you should ensure that the Proxy is received at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment thereof at which the Proxy is to be used. If completed Proxies are received after said deadline, they shall not be accepted for the purpose of voting at the Meeting unless authorized by the Chair of the Meeting, in his or her sole discretion.

**Voting by Non-Registered Securityholders**

The following information is of significant importance to Securityholders who do not hold Securities in their own name. Non-Registered Securityholders should note that the only Proxies that can be recognized and acted upon at the Meeting are those deposited by Registered Securityholders.

If Securities are listed in an account statement provided to a Securityholders by an Intermediary, then in almost all cases those Securities will not be registered in the Securityholder's name on the records of the Company. Such Securities will more likely be registered under the name of the Securityholder's Intermediary or an agent of that Intermediary. In Canada, the vast majority of such Securities are registered under the name of CDS & Co. as nominee for The Canadian Depository for Securities Limited (which acts as depository for many Canadian brokerage firms and custodian banks), and in the United States, under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many United States brokerage firms and custodian banks).

If you have consented to disclosure of your ownership information, you will receive a request for voting instructions from the Company (through Odyssey Trust Company). If you have declined to disclose your ownership information, you will receive a request for voting instructions from your Intermediary. Every Intermediary has its own mailing procedures and provides its own return instructions to clients. However, most Intermediaries now delegate responsibility for obtaining voting instructions from clients to Broadridge in the United States and in Canada.

If you are a Non-Registered Securityholder, you should carefully follow the instructions on the voting instruction form received from Broadridge in order to ensure that your Securities are voted at the Meeting. The voting instruction form supplied to you will be similar to the Proxy provided to the Registered Securityholders by the Company. However, its purpose is limited to instructing the Intermediary on how to vote on your behalf.

The voting instruction form sent from Broadridge will name the same persons as the Company's Proxy to represent you at the Meeting. **Although as a Non-Registered Securityholder you may not be recognized directly at the Meeting for the purposes of voting Securities registered in the name of your Intermediary, you, or a person designated by you (who need not be a Securityholder), may attend at the Meeting as proxyholder for your Intermediary and vote your Securities in that capacity.** To exercise this right to attend the Meeting or appoint a proxyholder of your own choosing, you should insert your own name or the name of the desired representative in the blank space provided in the voting instruction form. Alternatively, you may provide other written instructions requesting that you or your desired representative attend the Meeting as proxyholder for your Intermediary. The completed voting instruction form or other written instructions must then be returned in accordance with the instructions on the form.

**If you receive a voting instruction form from Broadridge, you cannot use it to vote Securities directly at the Meeting. The voting instruction form must be completed as described above and returned in accordance with its instructions well in advance of the Meeting in order to have the Securities voted.**

## INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Other than as set forth below, no person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting. For the purpose of this paragraph, "person" shall include each person: (a) who has been a director, senior officer or insider of the Company at any time since the commencement of the Company's twelve month period ended December 31, 2023; or (b) who is an associate or affiliate of a person as listed in (a).

Pursuant to the Arrangement, the Company currently anticipates that upon closing of the Arrangement, (i) Shares held by insiders of the Company will be exchanged for payment of the Purchase Price in accordance with the Plan of Arrangement; (ii) certain insiders of the Company will receive bonuses at the discretion of the Compensation Committee in connection with the Arrangement; and (iii) following the Effective Date, the Company will continue to operate as a private enterprise and certain

insiders of the Company will provide services to the Company pursuant to the Employment Agreements. See "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Special Committee*" for further details.

## RECORD DATE AND QUORUM

The Board has fixed the record date for the Meeting as the close of business on August 2, 2024 (the "**Record Date**"). Only Securityholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote their Securities on the applicable items of business in which they are eligible to participate at the Meeting, except to the extent that any such Securityholder transfers any Securities after the Record Date and the transferee of those Securities establishes that the transferee owns the Securities and demands, not less than ten (10) days before the Meeting, that the transferee's name be included in the list of Securityholders entitled to vote at the Meeting, in which case, only such transferee shall be entitled to vote such Securities at the Meeting.

Under the Company's articles, the quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders entitled to vote at the meeting who hold, in the aggregate, at least 25% of the votes attached to the outstanding voting shares entitled to be voted at the meeting.

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

On the Record Date, there were 77,728,044 SV Shares and 26,156.997 PV Shares issued and outstanding, with each SV Share carrying the right to one vote and each PV Share carrying the right to 1,000 votes.

To the knowledge of the directors and executive officers of the Company, as of the date of this Information Circular, the Shareholders who beneficially own, or exercise control or direction, directly or indirectly, Shares carrying 10% or more of the votes attached to the outstanding SV Shares and PV Shares are as follows:

| Name | Type of Ownership | Approximate Number and Type of Shares Owned, Controlled or Directed[2] | Percentage of SV Shares as of August 2, 2024 | Percentage of PV Shares as of August 2, 2024 |
|---|---|---|---|---|
| Archytas Ventures LLC[1] | direct | 3,169,443 SV Shares and 19,273.941 PV Shares | 4.1% | 73.7% |
| Bengal Impact Partners LLC | direct | 9,726,913 SV Shares and 3,751 PV Shares | 12.5% | 14.3% |

**Note**:

(1) Archytas Ventures LLC is a company controlled by David Kivitz (the Chief Executive Officer of the Company) and Antony Radbod (the Chief Operating Officer of the Company).

(2) The above information was derived from the Shareholder directly or from insider reports available at www.sedi.ca.

The SV Shares are listed and posted for trading on the CSE. Set forth below is a summary of the total volume of trading and price range of the SV Shares on the CSE in the 12-month period preceding the date of this Information Circular, on a monthly basis. The closing price of the SV Shares on the CSE was $0.055 on June 23, 2024, the date immediately prior to the date of announcement of the Arrangement Agreement.

| Month | High | Low | Volume |
|---|---|---|---|
| August 2024[1] | 0.05 | 0.05 | 194,000 |
| July 2024 | 0.05 | 0.045 | 320,000 |
| June 2024 | 0.045 | 0.04 | 584,000 |
| May 2024 | 0.055 | 0.035 | 303,488 |
| April 2024 | 0.05 | 0.035 | 658,882 |
| March 2024 | 0.06 | 0.03 | 129,504 |
| February 2024 | 0.06 | 0.035 | 388,073 |
| January 2024 | 0.055 | 0.025 | 147,370 |
| December 2023 | 0.06 | 0.02 | 844,972 |
| November 2023 | 0.06 | 0.02 | 573,939 |
| October 2023 | 0.05 | 0.035 | 285,649 |

| Month | High | Low | Volume |
|---|---|---|---|
| September 2023 | 0.05 | 0.03 | 1,139,994 |
| August 2023 | 0.03 | 0.02 | 102,011 |
| July 2023 | 0.04 | 0.02 | 323,778 |
| June 2023 | 0.05 | 0.035 | 82,032 |

(1) Represents the period from August 1, 2024 to August 2, 2024.

XS has not declared any dividends since its incorporation. While there are no restrictions precluding XS from paying dividends, it currently anticipates retaining all available cash resources towards its current business objectives.

There were no distributions of Shares during the financial year ended December 31, 2023.

## PARTICULARS OF MATTERS TO BE ACTED UPON

The matters to be placed before the Meeting are those set forth in the accompanying Notice of Meeting and discussed below.

### 1. Presentation of Financial Statements

The consolidated financial statements of the Company for the twelve months ended December 31, 2023 together with the auditor's report thereon, will be placed before the Meeting. The Company's financial statements which will be placed before the Meeting were refiled on August 9, 2024 on the SEDAR+ website at www.sedarplus.ca.

### 2. Setting Number of Directors

At the Meeting, Shareholders will be asked to consider and, if deemed fit, pass an ordinary resolution to set the number of directors of the Company at four (4).

### 3. Election of Directors

At the Meeting, Shareholders will be asked to consider and, if deemed fit, pass an ordinary resolution, electing directors of the Company. The Company proposes to nominate the persons listed below for election as directors. Each director will hold office until the next annual general meeting of the Company or until his or her successor is elected or appointed, unless his or her office is earlier vacated. Management does not contemplate that any of the nominees will be unable to serve as a director. Each director holds office until the next annual meeting or until his or her successor is duly elected or appointed unless their office is earlier vacated in accordance with the Company's articles. On any ballot that may be called for in the election of directors, the persons named in the enclosed form of proxy intend to cast the votes to which the Shares represented by such proxy are entitled for each of the proposed nominees whose names are set forth below, unless the Shareholder who has given such proxy has directed that the Shares be otherwise voted or withheld from voting in respect of the election of any such nominees. Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for other nominees at their discretion.

The following table sets out the names of the management nominees; their positions and offices in the Company; their principal occupations or employment; the period of time that they have been directors of the Company; and the number and type of Shares which each beneficially owns or over which control or direction is exercised, directly or indirectly.

| Name and Province/State of Residence | Position | Principal Occupation | Director Since | Number and Type of Shares Held or Controlled [1] |
|---|---|---|---|---|
| David Kivitz[2]<br>Florida, United States | Director,<br>Chair | Chief Executive Officer, XS Financial Inc. | December 7, 2017 | 3,169,443 SV Shares and 19,273.941 PV Shares [3] |
| Antony Radbod<br>California, United States | Director | Chief Operating Officer, XS Financial Inc. | October 22, 2018 | 3,169,443 SV Shares and 19,273.941 PV Shares [3] |
| Stephen Christoffersen[2]<br>Oklahoma, United States | Director | Chief Financial Officer, Terpene Belt Farms | May 29 2019 | 32,000 SV Shares |
| Gary Herman[2]<br>New York, United States | Director | Fund Manager, 720 Advisors and affiliates | April 8, 2019 | 48,000 SV Shares |

Notes:

(1) The information as to Shares beneficially owned (directly or indirectly) or over which the nominees exercise control or direction not being within the knowledge of the Company has been furnished by the respective nominees individually. As at August 2, 2024, as a group the directors and executive officers beneficially own or control a total of 3,778,790 SV Shares (or approximately 4.9% of the outstanding SV Shares of the Company) and 19,681.645 PV Shares (or approximately 75.2% of the outstanding PV Shares of the Company).

(2) Member of the Audit Committee of the Company.

(3) An aggregate of 3,169,443 SV Shares and 19,273.941 PV Shares are held by Archytas Ventures, LLC, which is in turn controlled by Messrs. Kivitz and Radbod.

No proposed director of the Company:

(a) is, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that:

  (i) was subject to an order that was issued while the director was acting in the capacity as director, chief executive officer or chief financial officer, or

  (ii) was subject to an order that was issued after the director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

(b) is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in the that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(c) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director or executive officer;

(d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(e) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

For the purposes of subsection (a) above, "order" means:

(i) a cease trade order;
(ii) an order similar to a cease trade order; or
(iii) an order that denied the relevant company access to any exemption under securities legislation,

that was in effect for more than 30 consecutive days.

## 4. Appointment of Auditor

At the Meeting, Shareholders will be asked to consider and, if deemed fit, pass an ordinary resolution appointing Link-It Accounting and Financial Services Inc. ("**Link-It**") as the Company's auditor and to authorize the directors to fix their remuneration (the "**Auditor Appointment Resolution**"). Link-It was first appointed as auditors of the Company on July 5, 2024, prior to which Urish Popeck & Co. LLC served as auditor of the Company since October 6, 2023. Please refer to Schedule "G" for the materials relating to the Company's change in auditor effective July 5, 2024.

The Board of Directors recommends that each Shareholder vote FOR the Auditor Appointment Resolution. **Unless otherwise indicated, the persons named in the enclosed Proxy form intend to vote FOR the Auditor Appointment Resolution.**

## 5. Approval of the Arrangement

At the Meeting, Securityholders will be asked to consider and, if deemed fit, pass the Arrangement Resolution approving the Arrangement, all as further described below.

*Background to the Arrangement*

The provisions of the Arrangement Agreement are the result of negotiations between the Company and Purchaser. See "*Background of the Transaction*" below. The Company issued a press release announcing the proposed Arrangement on June 24, 2024.

Compass Point was retained by the Company to provide the Fairness Opinion, regarding the fairness, from a financial point of view of the Arrangement to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101). After careful consideration, including a thorough review of the information and the Fairness Opinion, a thorough review of the terms of the Arrangement Agreement, and taking into account the recommendation of the Special Committee, the best interests of the Company and the impact on the Company's stakeholders, and consultation with its professional advisors, the Board unanimously (with Messrs. Kivitz and Radbod abstaining due to their respective interests in the Arrangement) resolved: (i) that the Arrangement is fair, from a financial point of view, to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101) and is in the best interests of the Company; and (ii) to approve the Arrangement and to recommend that Securityholders vote in favour of the Arrangement Resolution.

*Treatment of Options and Warrants*

As of the date of this Information Circular, (i) there are an aggregate of 39,310,300 Options outstanding with exercise prices ranging from $0.07 to $0.78 (on an as-converted to SV Share basis) and expiry dates ranging from November 25, 2024 to February 3, 2033; and (ii) there are an aggregate of 25,320,077 Warrants outstanding with exercise prices ranging from $0.45 to $1.50, and expiry dates ranging from September 10, 2024 to October 28, 2024.

All outstanding Options and Warrants which are not exercised prior to the Effective Date will be cancelled as of the Effective Date without any payment or other consideration to the holders of such Options and Warrants. In determining to cancel the outstanding Options and Warrants pursuant to the Arrangement, the Company considered the following factors:

- the Warrants and Options are significantly out of the money;
- a significant proportion of the Warrants were issued as additional consideration to the holders of the Convertible Notes, who were repaid in full in contemplation of the Arrangement;
- the overall number of Warrants and Options are relatively low in comparison to the number of outstanding SV Shares and PV Shares, and should be weighted accordingly; and
- the holders of all Warrants and Options will be provided with notice of the Final Hearing and will have the opportunity to attend at the Final Hearing and make submissions to the Court in connection with the Plan of Arrangement if they so choose.

*Fairness Opinion*

The summary of the Fairness Opinion described in this Information Circular is qualified in its entirety by reference to the full text of the Fairness Opinion.

In connection with the Arrangement, the Special Committee received the Fairness Opinion from Compass Point. Based upon and subject to the assumptions, limitations and qualifications set out in the Fairness Opinion, Compass Point is of the opinion that, as of June 24, 2024, the Arrangement is fair, from a financial point of view, to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101). The Fairness Opinion is attached as Schedule "C" to this Information Circular. A copy of the Fairness Opinion is also available for inspection at the offices of Fogler Rubinoff LLP, counsel to XS, during regular business hours at 3000-77 King Street West, Toronto, Ontario, and a copy of the Fairness Opinion will be sent to any Securityholder upon request for a nominal charge sufficient to cover printing and postage. Securityholders are urged to, and should, read the Fairness Opinion in its entirety.

*The Arrangement*

At the Meeting, Securityholders will be asked to consider and, if thought advisable, to pass, the Arrangement Resolution to approve the Arrangement under the BCBCA pursuant to the terms of the Arrangement Agreement and the Plan of Arrangement. The Arrangement, the Plan of Arrangement and the terms of the Arrangement Agreement are summarized below. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement, which has been filed by the Company under its profile on SEDAR+ at www.sedarplus.ca, and the Plan of Arrangement, which is attached to this Information Circular as Schedule "D".

If the Arrangement is approved at the Meeting, the Final Order approving the Arrangement is issued by the Court, and the applicable conditions to the completion of the Arrangement are satisfied or waived in accordance with the Arrangement Agreement, the Arrangement will take effect commencing at the Effective Time (which will be at 12:01 a.m. (Pacific Standard Time)) on the Effective Date (which is expected to be on or about September 11, 2024 or shortly thereafter).

*Parties to the Arrangement*

The Company

XS Financial Inc. is a specialty finance company providing capital expenditure and equipment financing solutions to cannabis companies in the United States. The Company, which changed its name from Xtraction Services Holdings Corp. on June 24, 2020 and was formerly known as Caracara Silver Inc., was incorporated under the laws of the Province of British Columbia on December 3, 2009. The Company's SV Shares are traded on the CSE under the symbol "XSF" and on the OTCQB under the symbol "XSHLF".

Purchaser

XS Acquisition Portfolio LLC is a limited liability company formed under the laws of Delaware and a US based affiliate of a U.S. alternative asset fund operated by Axar.

*Principal Steps of the Arrangement*

Under the Plan of Arrangement, the following principal steps shall occur and shall be deemed to occur commencing at the Effective Time without any further act or formality, in the order and timing set out in the Plan of Arrangement:

(a) each Option outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms or conditions of either of the Equity Incentive Plans, shall, without any further action by or on behalf of any Person (including any Optionholder), immediately be cancelled and, for greater certainty, neither any Party nor the Depositary shall be obligated to pay any Optionholder any amount in respect of such Option so cancelled;

(b) each Warrant outstanding immediately prior to the Effective Time, notwithstanding the terms or conditions of any certificate, indenture or other contract governing such Warrant, shall, without any further action by or on behalf of any Person (including any Warrantholder), immediately be cancelled and, for greater certainty, neither any Party nor the Depositary shall be obligated to pay any Warrantholder any amount in respect of such Warrant so cancelled;

(c) (i) the name of each Optionholder or Warrantholder, as the case may be, shall be removed from each applicable register maintained by XS; and (ii) the Equity Incentive Plans and all certificates, indentures and other contracts relating to the Options and the Warrants shall be terminated and shall be of no further force and effect;

(d) each of the Dissenting Company Shares shall be deemed to have been transferred without any further act or formality on the part of any Person (including any Shareholder) to Purchaser (free and clear of all Encumbrances), and:

(i) such Dissenting Shareholders shall cease to be the holders of such Shares and shall cease to have any rights as holders of such Shares other than the right to be paid fair value for such Shares as set out in the Plan of Arrangement;

(ii) such Dissenting Shareholders' names shall be removed as the holders of such Shares from the central securities registers of Shares maintained by or on behalf of XS; and

(iii) Purchaser shall be deemed to be the transferee of such Shares free and clear of all Encumbrances, and Purchaser shall be entered in the central securities registers of Shares maintained by or on behalf of XS as the holder of such Shares; and

(e) concurrently with the step set out in paragraph (d), each Share outstanding immediately prior to the Effective Time (other than Dissenting Company Shares held by a Dissenting Shareholder who has validly exercised their Dissent Right, or held by Purchaser or any of its affiliates) shall, without any further action by or on behalf of any Person (including any Shareholder), be deemed to be assigned and transferred by the holder thereof to Purchaser (free and clear of all Encumbrances) in exchange for the Purchase Price for each Share held, and:

(i) the holders of such Shares shall cease to be the holders thereof and to have any rights as holders of such Shares other than the right to be paid the amount of the Purchase Price payable for all such Shares held by such Shareholders pursuant to the terms of the Arrangement Agreement;

(ii) such Shareholders' names shall be removed from the central securities registers of the Shares maintained by or on behalf of XS; and

(iii) Purchaser shall be deemed to be the transferee of such Shares (free and clear of all Encumbrances) and Purchaser shall be entered in the central securities registers of the Shares maintained by or on behalf of XS.

*Recommendation of the Special Committee*

After taking into consideration, among other things, a thorough review of the Arrangement Agreement and the Fairness Opinion regarding the fairness, from a financial point of view, of the Arrangement (based on the Plan of Arrangement and Arrangement Agreement) to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101), the Special Committee concluded that the Arrangement is in the best interests of the Company and is fair to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101). **Accordingly, the Special Committee unanimously recommended to the Board that the Arrangement Agreement be approved and that the Board recommend that Securityholders vote FOR the Arrangement Resolution.**

*Recommendation of the Board*

After taking into consideration, among other things, a thorough review of the Arrangement Agreement, the recommendation of the Special Committee and the Fairness Opinion regarding the fairness, from a financial point of view, of the Arrangement (based on the Plan of Arrangement and Arrangement Agreement) to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101), the Board concluded that the Arrangement is in the best interests of the Company and is fair to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101). **Accordingly, the Board unanimously (with Messrs. Kivitz and Radbod abstaining due to their respective interest in the Arrangement) approved the Arrangement Agreement and the transactions contemplated thereby, and recommends that Securityholders vote FOR the Arrangement Resolution.**

*Reasons for the Arrangement*

The Board has reviewed and considered all information and considered a number of factors relating to the Arrangement with the benefit of advice from the Company's senior management and its financial and legal advisors. The following is a summary of the overall purpose and benefits of the Arrangement, and the principal reasons for the recommendation of the Board that Securityholders vote FOR the Arrangement Resolution:

(i) Fairness Opinion. The Fairness Opinion to the effect that, as of June 24, 2024 subject to the assumptions, limitations and qualifications contained therein, the Arrangement (based on the Plan of Arrangement and Arrangement Agreement) is fair, from a financial point of view, to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101).

(j) Cash Consideration. The consideration to be paid to Shareholders will be comprised entirely of cash thereby providing Shareholders with immediate liquidity and certainty of value.

(k) Strategic Review. The determination to proceed with the Arrangement was reached as part of a strategic review that included consideration by the Board of a broad range of alternative value-enhancing proposals, including a canvass of potential interested strategic and financial parties regarding alternative transactions involving an acquisition of all of the Shares.

(l) Compelling Value Relative to Alternatives. The Special Committee and the Board, with the assistance of their advisors, and based upon their collective knowledge of the business, operations, financial condition, earnings and prospects of XS, as well as their collective knowledge of the current and prospective environment in which XS operates (including economic and market conditions related to the cannabis industry and otherwise), assessed the relative benefits and risks of various alternatives reasonably available to XS. Following assessment by the Special Committee and the Board of each reasonably available alternative, they ultimately concluded that entering into the Arrangement Agreement with the Purchaser was the most favourable alternative reasonably available to the Shareholders.

(m) Arm's Length Negotiations. The Arrangement is the result of arm's-length negotiations between the Company and Purchaser. The Board and the Special Committee believe that the Purchase Price represents the highest price that Purchaser is willing to pay for the Securities.

(n) Timing. The Special Committee and the Board believe that the Arrangement is likely to be completed in accordance with its terms and within a reasonable time, thereby allowing the Shareholders to receive the consideration payable pursuant to the Arrangement in a relatively short time frame.

(o) Likelihood of the Arrangement Being Completed. The likelihood of the Arrangement being completed is considered by the Special Committee and the Board to be high in light of the financial capability of Purchaser. Further, the likelihood of obtaining the requisite Securityholder approval of the Arrangement Resolution is also considered by the Board to be high in consideration of the Lock-Up Agreements entered into on June 24, 2024 whereby the Locked-Up Securityholders, holding approximately 48% of the issued and outstanding SV Shares, approximately 99% of the issued and outstanding PV Shares, approximately 84% of the issued and outstanding Options and approximately 10% of the issued and outstanding Warrants, have agreed to vote in favour of the Arrangement Resolution.

(p) Required Approvals of Securityholders and Court. The following required approvals protect the rights of Securityholders:

(i) the Arrangement must be approved by at least:

(A) 66 2/3% of the votes cast on the Arrangement Resolution by the holders of PV Shares present in person or represented by proxy at the Meeting;

(B) 66 2/3% of the votes cast on the Arrangement Resolution by the holders of SV Shares present in person or represented by proxy at the Meeting;

(C) 66 2/3% of the votes cast on the Arrangement Resolution by all Securityholders present in person or represented by proxy at the Meeting, voting together as a single class;

(D) majority of the votes cast by the holders of SV Shares present in person or represented by proxy at the Meeting, excluding for this purpose votes attached to SV Shares held directly or indirectly by Messrs. David Kivitz, Antony Radbod and Justin Vuong; and

(E) a majority of the votes cast by the holders of PV Shares present in person or represented by proxy at the Meeting, excluding for this purpose votes attached to PV Shares held directly or indirectly by Messrs. David Kivitz, Antony Radbod and Justin Vuong; and

(ii) the Arrangement must also be sanctioned by the Court, which will consider the fairness of the Arrangement to Securityholders.

In view of the wide variety of factors and information considered in connection with their evaluation of the Arrangement, the Board did not find it practicable to, and therefore did not, quantify or otherwise attempt to assign any relative weight to each specific factor or item of information considered in reaching their conclusions and recommendations. In addition, individual members of the Board may have given different weights to different factors or items of information.

*Multilateral Instrument 61-101*

The Arrangement constitutes a "business combination" of XS for the purposes of MI 61-101 as (i) it is an arrangement as a consequence of which the interest of a holder of an equity security of XS may be terminated without the holder's consent, and (ii) David Kivitz, Antony Radbod and Justin Vuong, each of whom is a "related party" of XS, is entitled to receive a collateral benefit in connection with the Arrangement pursuant to the Employment Agreements and the receipt of certain bonuses at the discretion of the Compensation Committee in connection with the Arrangement. Part 5 of MI 61-101 concerning related party transactions does not apply to the Arrangement pursuant to subsection 5.1(e) thereof, as the Arrangement constitutes a "business combination" of XS.

To the knowledge of the Company, David Kivitz, Antony Radbod and Justin Vuong collectively hold, directly and indirectly, an aggregate of 3,698,790 SV Shares, 19,681.645 PV Shares, 22,166,666 Options (on an as-converted to SV Share basis) and no Warrants as of the date of this Information Circular, representing approximately 4.8% of all issued and outstanding SV Shares, approximately 75.2% of all issued and outstanding PV Shares, approximately 56.4% of all issued and outstanding Options and 0% of all issued and outstanding Warrants as of such date.

The Arrangement is exempt from the formal valuation requirements of MI 61-101 pursuant to subsection 4.4(1)(a) thereof, on the basis that no securities of XS are listed or quoted on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

At the Meeting, XS will be seeking minority Shareholder approval of the Arrangement pursuant to Section 4.5 of MI 61-101 by excluding the votes attached to SV Shares held directly or indirectly by David Kivitz, Antony Radbod and Justin Vuong and PV Shares held directly or indirectly by David Kivitz, Antony Radbod and Justin Vuong in determining whether the Arrangement Resolution has been approved by the requisite percentage of votes. See "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Approval of Arrangement Resolution*".

*The Arrangement Agreement*

The description of the Arrangement Agreement, both below and elsewhere in this Information Circular, is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Arrangement Agreement, which is incorporated by reference herein and may be found under the Company's profile on SEDAR+ at www.sedarplus.ca.

Effective Date and Conditions of the Arrangement

If the Arrangement Resolution is passed, the Final Order of the Court is obtained approving the Arrangement, every requirement of the BCBCA relating to the Arrangement has been complied with and all other conditions set forth in the Arrangement Agreement are satisfied or waived on or prior to the Completion Deadline, the Arrangement will become effective at 12:01 a.m. (Pacific Standard Time) on the Effective Date. It is currently expected that the Effective Date will be on or about September 11 2024 or shortly thereafter.

Conditions to the Arrangement Becoming Effective

In order for the Arrangement to become effective, the Arrangement Agreement provides that subject to certain notice and cure provisions, the following conditions must have been satisfied or waived prior to the Effective Time:

Mutual Conditions

The obligation of each of XS and Purchaser to complete the Arrangement is subject to the satisfaction or waiver of the following mutual conditions:

(a) the Interim Order shall have been granted in form and substance satisfactory to Purchaser and XS, each acting reasonably, and shall not have been set aside or modified in a manner unacceptable to Purchaser or XS, each acting reasonably, on appeal or otherwise;

(b) the Arrangement Resolution shall have been passed by the Securityholders in accordance with the Interim Order and the applicable provisions of the BCBCA and MI 61-101;

(c) the Final Order shall have been granted in form and substance satisfactory to Purchaser and XS, each acting reasonably, and shall not have been set aside or modified in a manner unacceptable to Purchaser and XS, each acting reasonably, on appeal or otherwise;

(d) there shall not be in force any Laws, ruling, order or decree, and there shall not have been any action taken under any Laws or by any Governmental Entity or other regulatory authority, that makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the consummation of the Arrangement in accordance with the terms of the Arrangement Agreement or results or could reasonably be expected to result in a judgment, order, decree or assessment of damages, directly or indirectly, relating to the Arrangement that would, or would reasonably be expected to, prevent the prompt completion of the Arrangement, or has, or could reasonably be expected to have, a Material Adverse Effect on XS;

(e) (A) all consents, waivers, permits, exemptions, orders and approvals of, and any registrations and filings with, any Governmental Entity, in connection with, or required to permit, the completion of the Arrangement including the Laws of any jurisdiction which Purchaser and XS reasonably determine to be applicable, and (B) all third Person and other consents, waivers, permits, exemptions, orders, approvals, agreements and amendments and modifications to agreements, indentures or arrangements, shall have been obtained or received on terms that are reasonably satisfactory to Purchaser and XS, each acting reasonably;

(f) there shall not have been any legal action commenced by any Person (including any Governmental Entity) in any jurisdiction seeking to prohibit or restrict the Arrangement; and

(g) the Employment Agreements shall be executed and not amended, revoked or terminated without the prior written consent of Purchaser and XS.

Conditions to the Obligations of XS

The obligation of XS to complete the Arrangement is subject to the satisfaction or waiver of the following conditions:

(a) the representations and warranties made by Purchaser in the Arrangement Agreement shall be true and correct in all respects without regard to any materiality qualifications contained in them, as of the Effective Date, as though made on and as of the Effective Date (except for representations and warranties made as of a specified date, which shall be determined as of that specified date), except to the extent that the failure or failures of such representations and warranties to be so true and correct in all respects, individually or in the aggregate, would not, or would not reasonably be expected to, prevent or materially impede, interfere with or delay the consummation of the Arrangement, and XS shall have received a certificate of Purchaser to such effect; and

(b) Purchaser shall have complied in all material respects with its covenants in the Arrangement Agreement and XS shall have received a certificate of Purchaser to such effect.

Conditions to Obligations of Purchaser

The obligation of Purchaser to complete the Arrangement is subject to the fulfillment of the following conditions prior to the Effective Time, which may be waived only by Purchaser in its sole discretion::

(a) the representations and warranties made by XS in the Arrangement Agreement (subject to certain exceptions) shall be true and correct in all respects without regard to any materiality or Material Adverse Effect qualifications contained in them, as of the Effective Date as though made on and as of the Effective Date (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except, in the case of certain representations and warranties, to the extent that the failure or failures of such representations and warranties to be so true and correct in all respects, individually or in the aggregate, would not, or would not reasonably be expected to, result in a Material Adverse Effect, and Purchaser shall have received a certificate of XS addressed to Purchaser to such effect;

(b) XS shall have complied in all material respects with its covenants in the Arrangement Agreement and Purchaser shall have received a certificate of XS to such effect, including attaching resolutions of the Board confirming approval of the transfer of the issued and outstanding Shares;

(c) since the date of the Arrangement Agreement, there shall not have been any change, event, occurrence, effect, state of facts or circumstance that, individually or in the aggregate, has had, or would reasonably be expected to have, a Material Adverse Effect;

(d) at the Effective Time, there shall not have been exercised Dissent Rights with respect to (i) PV Shares representing more than 5% of the aggregate number of issued and outstanding PV Shares or (ii) SV Shares representing more than 5% of the aggregate number of issued and outstanding SV Shares;

(e) XS shall not be in default under the terms of the Needham Facility;

(f) the Convertible Notes shall have been repaid;

(g) CSI Princesa shall have been liquidated and dissolved at least three Business Days prior to the Effective Date, in accordance with the provisions of the *Business Corporations Act* (Ontario) and the Arrangement Agreement;

(h) (i) the Audit Report shall have been prepared and filed to the satisfaction of the British Columbia Securities Commission (which shall be confirmed by the British Columbia Securities Commission in writing) and (ii) no further action on the part of XS shall be required to be taken in connection therewith; and

(i) XS shall not have been required (whether by Law, at the demand or request of a Governmental Entity or otherwise) to materially amend, restate, modify or supplement the XS Annual Financials; provided, for the avoidance of doubt, any such amendment, restatement, modification or supplement shall be deemed to be material if, in the reasonable opinion of the Purchaser's external legal counsel, such amendment, restatement, modification or supplement may give rise to any liability in respect of a misrepresentation in XS' public disclosure pursuant to applicable securities Laws.

These conditions may be waived in accordance with the Arrangement Agreement.

Representations and Warranties

Each of XS and Purchaser provides standard representations and warranties in the Arrangement Agreement, including with respect to organization; authority; no conflicts; execution, delivery and enforceability of the Arrangement Agreement. XS also provides standard representations and warranties relating to various financial, tax, environmental, insurance and operational matters.

Covenants

Each of XS and Purchaser provides certain covenants in the Arrangement Agreement, until earlier of the Effective Time or the date on which the Arrangement Agreement is terminated, including as follows:

(a) each of XS and Purchaser covenants that it shall:

(i) use its commercially reasonable efforts to take or cause to be taken all applicable actions necessary, proper or advisable under all applicable Laws to complete the Arrangement;

(ii) not take any action which is inconsistent with the Arrangement Agreement or which would reasonably be

expected to, individually or in the aggregate, prevent or materially impede, interfere with or delay the consummation of the Arrangement; and

(iii) carry out the terms of the Interim Order and Final Order applicable to it; and

(b) XS covenants that:

(i) subject to certain exceptions, it shall use commercially reasonable efforts to (A) conduct its business only in the Ordinary Course of Business and in accordance with applicable Laws, (B) maintain and preserve its and the XS Subsidiaries' business organization, liquidity, assets, properties, employees, goodwill and business relationships it currently maintains; and (C) conduct the business of XS and the XS Subsidiaries so that all of the representations and warranties contained in the Arrangement Agreement shall be true and correct as of the Effective Date as if made on and as of such date (except for representations and warranties made as of a specified date the accuracy of which shall be determined as of such date);

(ii) subject to certain exceptions, it shall not, directly or indirectly:

(A) (I) amend its organizational documents; (II) adjust, split, combine or reclassify the Shares; (III) issue, grant, sell or cause or, permit an Encumbrance to be created on any securities of XS or the XS Subsidiaries; (IV) subject to certain exceptions, redeem, purchase or otherwise acquire or subject to an Encumbrance any of its outstanding securities or securities convertible into or exchangeable or exercisable for any such securities; (V) amend or modify the terms of any of its securities; (VI) adopt a plan of liquidation or resolution providing for the winding-up, liquidation or dissolution of XS or any of its Subsidiaries; or (VII) authorize any of the foregoing;

(B) (I) sell, pledge, lease, license, dispose of or cause or permit any Encumbrance to be created on (x) assets other than in the Ordinary Course of Business, or (y) the shares of XS or any XS Subsidiary, or (II) acquire any corporation, partnership or other business organization or division thereof or any property or asset, or make any investment either by the purchase of securities, contributions of capital, property transfer, or purchase of any property or enter into or extend any option to acquire, or exercise an option to acquire, any property or assets of any other Person;

(C) incur any indebtedness other than drawdowns under the Needham Facility in the ordinary course of business (subject to a cap) or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other Person; make or commit to make any material expenditures; pay, discharge or satisfy any claims, liabilities or obligations; waive, release, grant or transfer any rights of material value; enter into a new line of business; create any subsidiary; or authorize any of the foregoing;

(D) other than in the ordinary course of business, enter into or amend any Material Contract or any contract or series of related new contracts that would result in any contract having a term in excess of 12 months and which is not terminable by XS or its subsidiaries with written notice of 60 days or less from the date of the relevant contract;

(E) make certain amendments to employee, officer or director compensation arrangements;

(F) waive, release or condition any non-compete, non-solicit, non-disclosure, confidentiality or other restrictive covenant owed to XS or any of the XS Subsidiaries;

(G) make any loans, advances or capital contributions to, or investments in, or guarantees to, any other Person other than to wholly-owned XS Subsidiaries, or make any loans to any officer, director or employee of XS or its subsidiaries;

(H) make any changes in financial accounting methods, principles, policies or practices, except as required, in each case, by IFRS or as set forth in the Disclosure Letter to the Arrangement Agreement;

(I) commence, waive, release, assign, settle or compromise any legal action, other than commencing a legal action in connection with the collection of amounts or enforcement of rights under the Arrangement Agreement or any other agreement with Purchaser;

(J) declare or pay any dividends or other distributions in respect of its equity securities;

(K) enter into any collective agreement; or

(L) enter into any contract or other arrangement to effect any of the foregoing or otherwise commit to take any action in respect of the foregoing; and

(iii) use all commercially reasonable efforts to maintain its current insurance policies.

Non-Solicitation

Pursuant to the Arrangement Agreement, XS has agreed not to solicit, initiate or encourage any Acquisition Proposals or take various other actions including making any Change in Recommendation. However, the Board has the right to consider an unsolicited *bona fide* Acquisition Proposal that is reasonably expected to constitute a Superior Proposal or make a Change in Recommendation in respect of a Superior Proposal, under certain conditions, and Purchaser also has the right to propose to amend the terms of the Arrangement Agreement and the Arrangement, such that acceptance by XS would result in the Acquisition Proposal not being a Superior Proposal, all as further set forth in the Arrangement Agreement.

Termination

Subject to the terms and conditions of the Arrangement Agreement, the Arrangement Agreement may be terminated and the Plan of Arrangement may be withdrawn at any time prior to the Effective Date as follows:

(a) by the mutual written consent of Purchaser and XS;

(b) by any Party, if:

(i) the Effective Time shall not have occurred on or before the Completion Deadline, subject to certain exceptions;

(ii) there exists any final and non-appealable Law, ruling, order or decree that makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the consummation of the Arrangement;

(iii) the Arrangement Resolution shall have failed to obtain the required Securityholder approvals at the Meeting in accordance with the Interim Order; or

(iv) the Board authorizes a legally binding agreement with respect to a Superior Proposal;

(c) by Purchaser, if:

(i) prior to obtaining the required Securityholder approval, the Board makes a Change in Recommendation;

(ii) any of the mutual conditions or conditions in favour of Purchaser are not satisfied, and such condition is incapable of being satisfied by the Completion Deadline; provided that Purchaser is not then in breach of the Arrangement Agreement so as to cause any of such conditions not to be satisfied; or

(iii) XS is in breach or in default of its non-solicitation obligations or covenants set forth in the Arrangement Agreement in any material respect; or

(d) by XS, if any of the mutual conditions or conditions in favour of XS are not satisfied, and such condition is incapable of being satisfied by the Completion Deadline; provided that XS is not then in breach of the Arrangement Agreement so as to cause any of such conditions not to be satisfied.

XS shall be required to pay the Termination Fee to Purchaser in the event that the Arrangement Agreement is terminated pursuant to any of subsections (b)(iv), (c)(i) or (c)(iii) above, or pursuant to subsections (b)(i), (b)(iii), or (c)(ii) above if a *bona fide* Acquisition Proposal with respect to XS has been previously made or publicly announced and such Acquisition Proposal is consummated or XS or any XS Subsidiary enters into a definitive agreement in connection therewith, within twelve months following termination.

Fees and Expenses

All expenses incurred by the Company in connection with the Arrangement shall be paid by the Company.

Completion of the Arrangement

The Arrangement will become effective at 12:01 a.m. (Pacific Standard Time) on the date that is three Business Days after all of the conditions to completion of the Arrangement as set out in the Arrangement Agreement have been satisfied or waived in accordance with the Arrangement Agreement, all documents agreed to be delivered thereunder have been delivered in accordance with the terms of the Arrangement Agreement, and the filings required under the BCBCA have been filed with the Registrar. Completion of the Arrangement is expected to occur on or about September 11, 2024; however, it is possible that completion may be delayed beyond this date if the conditions to completion of the Arrangement cannot be met on a timely basis.

*Procedure for Distribution of Purchase Price*

Depositary

XS and Purchaser have retained the services of the Depositary for the receipt of Letters of Transmittal and the certificates (if applicable) representing Shares and for the delivery of the cash in exchange for the Shares under the Arrangement. The Depositary will receive reasonable and customary compensation for its services in connection with the Arrangement, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities, including liabilities under applicable Laws and expenses in connection therewith.

Registered Shareholders

The Letter of Transmittal is enclosed with this Information Circular for use by Registered Shareholders. In order for a Registered Shareholder to receive the Purchase Price to which such Shareholder is entitled to under the Arrangement, the Registered Shareholder is required to forward a completed and signed Letter of Transmittal and surrender its Shares and, where issued, Share certificates. The details for the surrender of Shares and, where issued, Share certificates, to the Depositary and the addresses of the Depositary are set out in the Letter of Transmittal. Provided that a Registered Shareholder has delivered and surrendered to the Depositary (i) a properly completed and duly executed Letter of Transmittal, (ii) Share certificates (where issued), and (iii) such additional documents as the Depositary may reasonably require in respect of the exchange of Shares, the Registered Shareholder will be entitled to receive a cheque or wire for the cash payment issuable or deliverable to such holder as the aggregate Purchase Price to which they are entitled pursuant to the Arrangement, less any amounts deducted in respect of taxes. See "*Withholding Rights*".

Any use of the mail to transmit a certificate (if applicable) for Shares and a related Letter of Transmittal is at the risk of the Shareholder. If these documents are mailed, it is recommended that registered mail, properly insured, be used. Whether or not Shareholders forward the certificate(s) (if applicable) representing their Shares, upon completion of the Arrangement on the Effective Date, Shareholders will cease to be Shareholders as of the Effective Date and will only be entitled to receive such cash to which they are entitled under the Arrangement or, in the case of Shareholders who properly exercise Dissent Rights, the right to receive fair value for their Shares in accordance with the Dissent Procedures. See "*Dissent Rights*" below.

The Depositary will act as the agent of persons who have surrendered Shares pursuant to the Arrangement for the purpose of receiving the Purchase Price from Purchaser and transmitting same to such Persons, and receipt of the Purchase Price by the Depositary will be deemed to constitute receipt of payment by Persons surrendering Shares. Under the Plan of Arrangement, if a holder of Shares fails to deliver their Share certificates (if applicable) and Letter of Transmittal to the Depositary on or before the date that is three years after the Effective Date of the Plan of Arrangement, such holder will no longer be entitled to receive the Purchase Price for their Shares. See "*Cancellation of Rights after Three Years*". Settlement with persons who surrender Shares pursuant to the Arrangement will be effected by the Depositary forwarding by first class insured mail a cheque for the Purchase Price or paying the Purchaser via cheque or wire transfer pursuant to details provided by the Shareholder in the Letter of Transmittal. Unless otherwise directed in the Letter of Transmittal, the Purchase Price will be paid by cheque and issued in the name of the registered holder of Shares so surrendered. Unless the person who surrenders Shares instructs the Depositary to pay the Purchase Price by wire or instructs the Depositary to pay the Purchase Price by cheque and to hold the cheque for pick up by checking the appropriate box in the Letter of Transmittal, the cheques will be forwarded by first class insured mail to the addresses supplied in the Letter of Transmittal. If no address is provided cheques will be forwarded to the address of the person as shown on the share register of XS.

Only Registered Shareholders are required to submit a Letter of Transmittal. If you are a Non-Registered Shareholder holding your Shares through an Intermediary, you should contact that Intermediary for instructions and assistance in depositing certificates representing your Shares and any other required documentation, as applicable, and carefully follow any instructions provided to you by such Intermediary.

Delivery Requirements

The method of delivery of Share certificates (if applicable), the Letter of Transmittal and all other required documents is at the option and risk of the Shareholder tendering them. XS recommends that such documents be delivered by hand to the Depositary, at the office noted in the Letter of Transmittal, and a receipt obtained therefor, or, if mailed, that registered mail, with return receipt requested, be used and that proper insurance be obtained. Shareholders holding Shares which are registered in the name of an Intermediary (such as a bank, trust company, securities dealer or broker, or the trustee or administrator of a self-administered registered retirement savings plan, registered education savings plan or similar plan) must contact such Intermediary to arrange for the surrender of their share certificates.

Return of Share Certificates

If the Arrangement is not completed, any Share certificates deposited with the Depositary will be returned to the depositing Shareholder at XS's expense upon written notice to the Depositary from XS, by returning the deposited Share certificates (and any other relevant documents) by first class insured mail in the name of and to the address specified by the Shareholder in the Letter of Transmittal or, if such name and address is not so specified, in such name and to such address as shown on the register maintained by the Depositary.

Lost Share Certificates

A Shareholder who has lost or misplaced Share certificates (where issued) should complete the Letter of Transmittal as fully as possible and forward it to the Depositary together with a letter explaining the loss or misplacement. The Depositary will assist in making arrangements for the necessary affidavit (which will include a bonding requirement) for receipt of the Purchase Price in accordance with the Arrangement.

If any Share certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder claiming such certificate to be lost, stolen or destroyed, the Depositary shall deliver in exchange for such lost, stolen or destroyed certificate, the consideration that such holder is entitled to receive in accordance with the Plan of Arrangement. When authorizing such delivery of the consideration that such holder is entitled to receive in exchange for such lost, stolen or destroyed certificate, the holder shall, as a condition precedent to the delivery of such consideration, give a bond satisfactory to Purchaser and the Depositary, acting reasonably, in such amount as Purchaser may direct, or otherwise indemnify Purchaser, XS and the Depositary in a manner satisfactory to Purchaser, XS and the Depositary, each acting reasonably, against any claim that may be made against Purchaser, XS and the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed.

Cancellation of Rights after Three Years

Any Share, and any Share certificate which immediately before the Effective Date represented Shares and which has not been surrendered to the Depositary with a properly completed and duly executed Letter of Transmittal, with all other documents required by the Depositary, on or before the date that is three years less a day after the Effective Date, will cease to represent any claim against or interest of any kind or nature in or against XS, Purchaser, or the Depositary. ACCORDINGLY, FORMER SHAREHOLDERS WHO DEPOSIT WITH THE DEPOSITARY A COMPLETED AND DULY EXECUTED LETTER OF TRANSMITTAL AND CERTIFICATES (IF APPLICABLE) REPRESENTING THEIR SHARES AFTER THE DATE THAT IS THREE YEARS LESS A DAY AFTER THE EFFECTIVE DATE WILL NOT RECEIVE ANY CONSIDERATION IN EXCHANGE THEREFOR AND WILL NOT OWN ANY INTEREST IN THE COMPANY, AND WILL NOT BE PAID ANY COMPENSATION.

Withholding Rights

Purchaser, XS and the Depositary shall be entitled to deduct or withhold from any consideration payable or otherwise deliverable under the Plan of Arrangement, such amounts as Purchaser, XS or the Depositary are required or permitted to deduct or withhold therefrom under any provision of any applicable Law in respect of taxes. To the extent that amounts are so withheld or deducted, such amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such deduction or withholding was made, provided that such deducted or withheld amounts are actually remitted to the appropriate taxing authority.

*Court Approval of the Arrangement*

An arrangement under the BCBCA requires Court approval. On August 7, 2024, the Company obtained the Interim Order providing for the calling and holding of the Meeting and certain other procedural matters. The text of the Interim Order is set out in Schedule "E" to this Information Circular.

Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by Securityholders at the Meeting in the manner required by the Interim Order, the Company intends to make an application to the Court for the Final Order. The application for the Final Order approving the Arrangement is currently scheduled for September 11, 2024 at 9:45 a.m. (Pacific Standard Time), or as soon thereafter as counsel may be heard, at 800 Smithe Street, Vancouver, British Columbia, Canada, or at any other date and time as the Court may direct. Any Securityholder or any other interested party (including any Optionholder or Warrantholder) who wishes to appear or be represented and to present evidence or arguments at that hearing of the application for the Final Order must file and serve a response to petition no later than 4:00 p.m. (Pacific Standard Time) on September 9, 2024 along with any other documents required, all as set out in the Interim Order and the Notice of Hearing on Petition, the text of which are set out in Schedule "E" to this Information Circular, and satisfy any other requirements of the Court. Such Persons should consult with their legal advisors as to the necessary requirements. In the event that the hearing is adjourned, then, subject to further order of the Court, only those Persons having previously filed and served a response to petition will be given notice of the adjournment.

The Court has broad discretion under the BCBCA when making orders with respect to the Arrangement. The Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, on the terms presented or substantially on those terms. Depending upon the nature of any required amendments, the Company and/or Purchaser may determine not to proceed with the Arrangement. See "*Regulatory Law Matters*" below.

For further information regarding the Court hearing and your rights in connection with the Court hearing, see the form of Notice of Hearing of Petition attached at Schedule "E" this Information Circular. The Notice of Hearing of Petition constitutes notice of the Court hearing of the application for the Final Order and is your only notice of the Court hearing.

*Regulatory Approvals*

The SV Shares are listed and posted for trading on the CSE and OTCQB. Pursuant to the Arrangement Agreement and subject to the receipt of the approval of the Arrangement Resolution by Securityholders and receipt of all applicable Court approvals to give effect to the Arrangement, Purchaser and XS have agreed to use their commercially reasonable efforts to cause the SV Shares to be de-listed from the CSE promptly following the Effective Time. There can be no assurance as to if, or when, the CSE conditional approval of the de-listing will be obtained. The SV Shares will also be delisted from the OTCQB in conjunction with the Arrangement and CSE delisting.

*Lock-Up Agreements*

The Locked-Up Securityholders have entered into the Lock-Up Agreements with Purchaser pursuant to which they have agreed, on and subject to the terms thereof, among other things, to vote in favour the Arrangement Resolution. As at the date of the Lock-Up Agreements, such Locked-Up Securityholders held approximately 48% of the issued and outstanding SV Shares, approximately 99% of the issued and outstanding PV Shares, approximately 84% of the issued and outstanding Options and approximately 10% of the issued and outstanding Warrants.

*Special Committee*

As noted above, the Company currently anticipates that upon closing of the Arrangement, (i) Shares held by insiders of the Company will be exchanged for payment of the Purchase Price in accordance with the Plan of Arrangement; and (ii) following the Effective Date, the Company will continue to operate as a private enterprise and certain insiders of the Company will provide services to the Company pursuant to the Employment Agreements. In addition, Messrs. Kivitz, Radbod and Vuong will also receive bonuses at the discretion of the Compensation Committee in connection with the Arrangement.

Each of Messrs. Kivitz and Radbod is currently a director and senior officer of the Company. Archytas Ventures LLC, which is a company controlled by Mr. Kivitz and Mr. Radbod, beneficially owns and controls, as of the date of this Information Circular an aggregate of 19,273.941 PV Shares representing approximately 73.7% of the PV Shares issued and outstanding, and 3,169,443 SV Shares representing approximately 4.1% of the SV Shares issued and outstanding. Pursuant to the Arrangement, it is anticipated that all of the PV Shares and SV Shares held by Archytas Ventures LLC will be transferred to Purchaser in

consideration of an aggregate Purchase Price of approximately Cdn$1,181,644.

Mr. Vuong is currently a senior officer of the Company. Mr. Vuong beneficially owns and controls, as of the date of this Information Circular an aggregate of 407.704 PV Shares representing approximately 1.6% of the PV Shares issued and outstanding, and 529,347 SV Shares representing approximately 0.7% of the SV Shares issued and outstanding. Pursuant to the Arrangement, it is anticipated that all of the PV Shares and SV Shares held by Mr. Vuong will be transferred to Purchaser in consideration of an aggregate Purchase Price of approximately Cdn$49,336.

*Background of the Transaction*

Prior to engaging in discussions with Purchaser concerning the Arrangement, the Company had identified certain current challenges which it would be facing in the near term, as follows:

- the Convertible Notes would have matured in June 2024, and a funding solution would be required to satisfy the significant balance payment due at maturity;
- the Company has experienced a declining asset base and slow-down in originations;
- the Company has limited access to equity capital through the public markets; and
- the Company has experienced declining equity over time.

As a result of the foregoing, the Company sought to pursue a strategic transaction as it would otherwise be unable to satisfy the balance payment of the Convertible Notes due in June 2024, which would result in insolvency of the Company and/or loss of control to the principal holder of the Convertible Notes. Accordingly, the Company retained Compass Point pursuant to an advisory agreement dated November 30, 2023 (the "**Compass Point Advisory Agreement**") to identify and solicit expressions of interest from third parties for the potential acquisition of the Company.

In January, 2024, the solicitation process was commenced with the identification of five different potential types of acquirors, being asset managers, equipment lenders, specialty finance companies, banks and cannabis finance companies. These potential types of acquirors were selected based upon a potential strategic fit with XS due to an interest in owning or originating assets similar to the XS portfolio.

Process letters were sent out during the weeks of February 12 and 19, 2024 inviting ten parties who had expressed an interest to provide term sheets for a potential acquisition of the Company. In response, on February 14, 2024, Axar provided a term sheet which formed the basis for the Arrangement. No other formal term sheets were received as a result of such outreach.

On February 22, 2024, Axar received a marked-up version of the draft of the term sheet from XS. On February 26, 2024, Axar and XS discussed the term sheet via telephone call. On February 28, 2024, Axar sent an updated draft of the term sheet. On March 7, 2024, an in-person meeting was held at Axar's office in which the term sheet was discussed. On March 10, 2024, the term sheet was executed by Axar and XS.

On February 27, 2024, the Board established the Special Committee comprised entirely of directors independent of the Arrangement to review and provide recommendations to the Board regarding the Arrangement, as it was anticipated that directors and officers of the Company would have an interest in the Arrangement as a result of the Employment Agreements and their eligibility for bonuses in connection with the Arrangement pursuant to the terms of their existing employment agreements. See "*Termination of Employment, Change in Responsibilities and Employment Contracts*".

*Special Committee Composition and Mandate*

The mandate of the Special Committee included reviewing and assessing the Arrangement, considering potential alternatives and advising the Board accordingly. In addition, the Special Committee was vested with control over its processes respecting the holding of meetings, the quorum therefor, the timing and location thereof, the individuals present thereat and such other matters as the Special Committee considered necessary or desirable to discharge its mandate. The Special Committee was also empowered to hire necessary professionals including but not limited to financial advisors, lawyers, accountants and other necessary advisors. The Special Committee was comprised of Mr. Stephen Christoffersen and Mr. Gary Herman, each of whom are independent in connection with the Arrangement. Mr. Christoffersen was appointed as the chairman of the Special Committee.

*Engagement of Advisors*

After discussions with management, the members of the Special Committee were in agreement with the retention of Compass Point to provide a fairness opinion in respect of the Arrangement. The Special Committee considered the qualifications, experience and independence of Compass Point and its expertise in advising special committees. However, the Special Committee noted that the Compass Point Advisory Agreement contained a success fee relating to the successful completion of a transaction, which could have an impact upon the independence of Compass Point in preparing the Fairness Opinion. Accordingly, the Special Committee held detailed discussions with Mr. Matt Anstey of Compass Point, and reviewed a revised engagement agreement with Compass Point (the "**Compass Point Fairness Opinion Agreement**") pursuant to which it was engaged to advise the Special Committee in respect of the fairness of the Arrangement from a financial point of view, to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101). The Compass Point Advisory Agreement was terminated and the Compass Point Fairness Opinion Agreement was entered into effective March 28, 2024. Compass Point was compensated under the Compass Point Fairness Opinion Agreement on the basis of a fixed fee, agreed upon in advance of its engagement and was not provided any form of contingent compensation tied to success or completion or approval of the Arrangement. As noted above, Compass Point and the Special Committee believed that a fixed fee compensation arrangement without any amounts contingent on approval or completion of the Arrangement would ensure that the fee structure would not compromise Compass Point's independence in its evaluation of the fairness of the Arrangement. Compass Point was not engaged to prepare a formal valuation as that term is defined in MI 61-101, as an applicable exemption from the formal valuation requirements of such instrument was available in connection with the Arrangement. Compass Point subsequently met several times with management in order to gather information required for its review. There existed no economic or personal relationship between Compass Point and the Special Committee or any of the parties to the Arrangement.

*Deliberations*

The Special Committee considered the initial terms of the proposed Arrangement and met with members of the Company's management team and legal advisors on several occasions to better understand the rationale and benefits of the proposed Arrangement. The consideration to be received by the Company and Shareholders pursuant to the Arrangement was considered to be reasonable due to the fact that some form of compensation would be received by Shareholders, the lack of alternative viable transactions, the understanding that the Convertible Notes were coming due shortly which required a significant amount of cash that was otherwise not available to the Company, and the conclusions of the Fairness Opinion, as well as the fact that the Arrangement remained subject to the approval of both Securityholders and the Court. The Special Committee also considered the following alternatives:

(i) the Company could pursue a potential buyout by an acquiror other than Purchaser or its affiliates; however, Compass Point has previously reached out to a significant number of potential acquirers and the term sheet for the Arrangement was the only offer received; furthermore, Compass Point noted that the pool of potential acquirers is limited due to the size of the Company, its niche asset class and the fact that it is involved in the cannabis industry;

(ii) the Company could attempt to renegotiate the terms of the Convertible Notes in order to extend the maturity date or otherwise restructure the balance payment due in June 2024; however, the lender had not been responsive to the Company's initial outreach;

(iv) the Company could seek alternative debt financing to replace the Convertible Notes; however, such financing would be difficult to secure in the current market and would likely be uneconomic as a result of increased interest rates; or

(v) the Company could pursue an equity offering; however, this would be highly dilutive to existing Shareholders and would be difficult due to the current market for junior issuers and the below market yield of the Company.

After thoroughly reviewing these matters with management of the Company, on June 24, 2024, the Special Committee determined that the Arrangement would be beneficial as it would allow for the repayment of the Debentures, and provide certain compensation to the Shareholders which they would not otherwise receive if the Company defaulted with respect to the Debentures. The Convertible Notes were repaid in full and cancelled on June 13, 2024 in contemplation of the Arrangement.

On June 24, 2024, the Company and Purchaser entered into the Arrangement Agreement, which provided for a number of conditions to be satisfied prior to completion including the receipt of a written Fairness Opinion. A press release announcing the terms of the proposed Arrangement was disseminated by the Company on June 24, 2024.

Over the course of their review, the members of the Special Committee met with Compass Point to discuss Compass Point's initial impressions of value, including with respect to the stage of development and risk factors associated with the business of the Company, valuation methodology and related party considerations. In connection with its deliberations, the Special Committee also reviewed the contents of draft and final versions of this Information Circular and related disclosure documents concerning the Arrangement. The Special Committee was provided with the opportunity to ask questions of Compass Point, including with respect to matters relating to the assumptions underlying the Fairness Opinion, and the other relevant industry and economic factors considered by Compass Point in connection with its review. Following discussion between the Special Committee and Compass Point, Compass Point delivered a written Fairness Opinion dated effective June 24, 2024 to the Special Committee that as of June 24, 2024, the Arrangement was fair, from a financial point of view, to the Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101). In preparing the Fairness Opinion for the proposed Arrangement, Compass Point considered the proposed terms of the transaction, relevant industry and economic factors, background information relating to both the Company and Purchaser, and conducted research into recent market transactions involving assets and companies somewhat comparable to the Company's business. The foregoing summary of the Fairness Opinion is qualified in its entirely by the full text of the Fairness Opinion, and the assumptions and limitations set forth therein, a copy of which is appended to this Information Circular at Schedule "C".

The Special Committee was comfortable that Compass Point had conducted a thorough review of available valuation methodologies and had exercised its professional expertise in applying these valuation matters. The Special Committee considered various advantages of the proposed Arrangement including the ability to repay the amounts owing under the Debentures, limited access to equity capital from public markets to grow the business, the volume weighted average trading price of the SV Shares over the past 90 days, the consideration that Shareholders would receive, and the conclusions of the Fairness Opinion, as well as the fact that the Arrangement remained subject to the approval of both Securityholders and the Court. The Special Committee also considered the following: (i) the regulatory requirement for Securityholder and Court approval of the proposed Arrangement; and (ii) certain potential disadvantages associated with the Arrangement, including the risk factors associated with the transaction, and related party considerations. The Special Committee ultimately determined that the benefits of the Arrangement outweighed the disadvantages, and effective June 24, 2024, the Special Committee recommended the approval of the Arrangement to the Board. The Special Committee relied upon its business judgement which was confirmed by the advice of Compass Point as set forth in the Fairness Opinion.

Dissenting Views of the Special Committee

Throughout their review of the Arrangement, the members of the Special Committee retained the view that the Arrangement remained desirable and relying upon the Fairness Opinion, that the agreed upon final terms were fair to Securityholders (other than those Securityholders who are excluded from voting in respect of the Arrangement pursuant to MI 61-101).

*Regulatory Law Matters*

Other than the Final Order and the approvals of the CSE, the Company is not aware of any material approval, consent or other action by any federal, provincial, state or foreign government or any administrative or regulatory agency that would be required to be obtained in order to complete the Arrangement. In the event that any such approvals or consents are determined to be required, such approvals or consents will be sought. Any such additional requirements could delay the Effective Date or prevent the completion of the Arrangement. While there can be no assurance that any regulatory consents or approvals that are determined to be required will be obtained, the Company currently anticipates that any such consents and approvals that are determined to be required will have been obtained or otherwise resolved by the Effective Date. Subject to receipt of Securityholder approval of the Arrangement Resolution at the Meeting, receipt of the Final Order and the satisfaction or waiver of all other conditions specified in the Arrangement Agreement, the Effective Date is expected to be on or about September 11, 2024 or shortly thereafter.

*Interests of Certain Persons in the Arrangement*

In considering the recommendation of the Board with respect to the Arrangement, Securityholders should be aware that the Company's senior management and the Board will participate in the Arrangement, to the extent they are Securityholders, in the same manner as other Securityholders. Additionally, certain current directors and officers of the Company are expected to be party to the Employment Agreements and participate in the operation of the Company following the Effective Date, and will also receive certain bonuses at the discretion of the Compensation Committee in connection with the Arrangement. See "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Special Committee*" for further details.

The directors of the Company (other than directors who are also executive officers) hold, in the aggregate, 80,000 SV Shares, no PV Shares, 3,278,000 Options (on an as-converted to SV Share basis) and no Warrants representing less than 1% of the SV

Shares, 0% of the PV Shares, 8.3% of the Options and 0% of the outstanding Warrants as of the Record Date. All of the Securities held by the directors will be treated in the same fashion under the Arrangement as Securities held by every other Securityholder.

The current responsibility for the general management of the Company is held and discharged by a group of executive officers. The executive officers of the Company are currently as follows:

| Name/Position | Number of SV Shares Held at August 2, 2024 | Number of PV Shares Held at August 2, 2024 | Number of Options Held at August 2, 2024 (2) | Number of Warrants Held at August 2, 2024 |
|---|---|---|---|---|
| David Kivitz, Chief Executive Officer and Director | 3,169,443(1) | 19,273.941(1) | 9,155,797 | Nil |
| Antony Radbod, Chief Operating Officer and Director | 3,169,443(1) | 19,273.941(1) | 9,155,797 | Nil |
| Justin Vuong, Chief Financial Officer | 529,347 | 407.704 | 3,855,072 | Nil |

(1) An aggregate of 3,169,443 SV Shares and 19,273.941 PV Shares are held by Archytas Ventures, LLC, which is in turn controlled by Messrs. Kivitz and Radbod.
(2) Presented on an as-converted to SV Share basis.

The executive officers of the Company hold, in the aggregate, 3,698,790 SV Shares, 19,681.645 PV Shares, 22,166,666 Options and no Warrants representing approximately 4.8% of the SV Shares, approximately 75.2% of the PV Shares, approximately 56.4% of the Options and 0% of the outstanding Warrants as of the Record Date. All of the Securities held by the executive officers of the Company will be treated in the same fashion under the Arrangement as Securities held by every other Securityholder.

*Dissent Rights*

Registered Shareholders are entitled to exercise Dissent Rights in respect of the Arrangement Resolution under Section 237 through Section 247 of the BCBCA.

The following is only a summary of the Dissent Rights and the provisions of the BCBCA relating to the dissent and appraisal rights in respect of the Arrangement Resolution (as modified by the Plan of Arrangement, the Interim Order and the Final Order as described below) of a Registered Shareholder. Such summary is not a comprehensive statement of the procedures to be followed by a Registered Shareholder who seeks payment of the fair value of its Shares and is qualified in its entirety by reference to the full text of Section 237 through Section 247 of the BCBCA which is attached as Schedule "F" to this Information Circular (as modified by the Plan of Arrangement, the Interim Order and the Final Order). The Dissent Rights are set out in their entirety in the Interim Order, the text of which is set out in Schedule "E" to this Information Circular. The Court, hearing the application for the Final Order, has the discretion to alter the Dissent Rights described herein based on the evidence presented at such hearing.

The statutory provisions dealing with the right of dissent are technical and complex. Any Registered Shareholders considering exercising Dissent Rights should seek independent legal advice, as failure to comply strictly with the provisions of Sections 237 to 247 of the BCBCA, as modified by the Plan of Arrangement, the Interim Order and the Final Order, may result in the loss of all Dissent Rights.

Section 237 through Section 247 of the BCBCA provides registered shareholders of a corporation with the right to dissent from certain resolutions that effect extraordinary corporate transactions or fundamental corporate changes. The Interim Order expressly provides Registered Shareholders with Dissent Rights in respect of the Arrangement Resolution, pursuant to Section 237 through Section 247 of the BCBCA, as modified by the Plan of Arrangement, the Interim Order and the Final Order. Any Registered Shareholder who validly dissents from the Arrangement Resolution in compliance with Section 237 through Section 247 of the BCBCA, as modified by the Plan of Arrangement, the Interim Order and the Final Order, will be entitled, in the event the Arrangement becomes effective, to be paid by the Company the fair value of the Dissenting Company Shares held by such Dissenting Shareholder determined as of the close of business on the day before the Arrangement Resolution is approved by the Securityholders. Shareholders are cautioned that fair value could be determined to be less than the value of the consideration payable pursuant to the terms of the Arrangement and that the proceeds of disposition received by a Dissenting Shareholder may be treated in a different, and potentially more adverse, manner under Canadian federal income tax Laws than had such

Shareholder exchanged their Shares for the Purchase Price pursuant to the Arrangement and that an investment banking opinion as to the fairness, from a financial point of view, of the consideration payable under the Arrangement, such as the Fairness Opinion, is not an opinion as to, and does not otherwise address, "fair value" under Section 237 through Section 247 of the BCBCA. In addition, any judicial determination of fair value will result in delay of receipt by a Dissenting Shareholder of consideration for such Dissenting Shareholder's Dissenting Company Shares.

In many cases, Shares beneficially owned by a Non-Registered Shareholder are registered either: (a) in the name of an Intermediary that the Non-Registered Shareholder deals with in respect of the Shares; or (b) in the name of a depositary (such as CDS) of which the Intermediary is a participant. Accordingly, a Non-Registered Shareholder will not be entitled to exercise its Dissent Rights directly (unless the Shares are re-registered in the Non-Registered Shareholder's name). A Non-Registered Shareholder that wishes to exercise Dissent Rights should immediately contact the Intermediary with whom the Non-Registered Shareholder deals in respect of its Shares and either (i) instruct the Intermediary to exercise the Dissent Rights on the Non-Registered Shareholder's behalf (which, if the Shares are registered in the name of CDS or another clearing agency, may require that such Shares first be re-registered in the name of the Intermediary), or (ii) instruct the Intermediary to re-register such Shares in the name of the Non-Registered Shareholder, in which case the Non-Registered Shareholder would be able to exercise the Dissent Rights directly. In addition, pursuant to Section 238 of the BCBCA, as modified by the Plan of Arrangement, the Interim Order and the Final Order, a Dissenting Shareholder may not exercise Dissent Rights in respect of only a portion of such Dissenting Shareholder's Shares but may dissent only with respect to all Shares held by such Dissenting Shareholder.

The Dissent Procedures require that a Registered Shareholder who wishes to dissent with respect to all Shares held must send a Notice of Dissent to the Company (i) c/o Farris LLP, 25th Floor, 700 W Georgia St #2500, Vancouver, BC V7Y 1B3, Attention: Tevia R.M. Jeffries and Peter Roth, to be received by no later 5:00 p.m. (Vancouver time) on September 5, 2024 or, in the case of any adjourned or postponed Meeting, by no later than 5:00 p.m. (Vancouver time) on the Business Day that is two Business Days prior to the date of the adjourned or postponed Meeting, and must otherwise strictly comply with the Dissent Procedures described in this Information Circular.

A Registered Shareholder who wishes to dissent must deliver written Notice of Dissent to the Company as set forth above and such Notice of Dissent must strictly comply with the requirements of Section 242 of the BCBCA as modified by the Plan of Arrangement and the Interim Order. Non-Registered Shareholders who wish to exercise Dissent Rights must cause each Shareholder holding their Shares to deliver the Notice of Dissent, or, alternatively, make arrangements to become a Registered Shareholder.

If the Arrangement Resolution is approved by the Securityholders, and the Company notifies a registered holder of Notice Shares of the Company's intention to act upon the authority of the Arrangement Resolution, the Interim Order and the Final Order pursuant to Section 243 of the BCBCA, as modified by the Plan of Arrangement, the Interim Order and the Final Order, in order to exercise Dissent Rights, such Registered Shareholder must, within one month after the Company gives such notice, send to the Company or its transfer agent, a written notice that such holder requires the purchase of all of the Notice Shares in respect of which such holder has given Notice of Dissent. Such written notice must be accompanied by the certificate or certificates representing those Notice Shares (including a written statement prepared in accordance with Sections 244(1)(c) and 244(2) of the BCBCA, as modified by the Plan of Arrangement, the Interim Order and the Final Order, if the dissent is being exercised by the Registered Shareholder on behalf of a Non-Registered Shareholder), whereupon, subject to the provisions of the BCBCA relating to the termination of Dissent Rights, the Registered Shareholder becomes a Dissenting Shareholder, and is deemed to have sold to the Company and the Company is deemed to have purchased, the Notice Shares. Such Dissenting Shareholder may not vote, or exercise or assert any rights of a Shareholder in respect of such Notice Shares, other than the rights set forth in Sections 237 to 247 of the BCBCA, as modified by the Plan of Arrangement, the Interim Order and the Final Order.

If a Registered Shareholder fails to comply with Section 244(1) of the BCBCA, as modified by the Plan of Arrangement, the Interim Order and the Final Order, unless the Court orders otherwise, the right of the Registered Shareholder to exercise its Dissent Rights terminates and ceases to apply to such Registered Shareholder.

Each Registered Shareholder as at the Record Date who duly and validly exercises its Dissent Rights and who:

(a) is ultimately entitled to be paid fair value by the Company for the Dissenting Company Shares in respect of which they have exercised Dissent Rights: (i) will be deemed not to have participated in the transactions set forth in the Plan of Arrangement (except as set forth in Dissent Rights provisions of the Plan of Arrangement); (ii) will be entitled to be paid the fair value of such Dissenting Company Shares by the Company, which fair value, notwithstanding anything to the contrary contained in Section 245 of the BCBCA, will be determined as of the close of business on the day immediately preceding the date on which the Arrangement Resolution is adopted; (iii) will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement if such Dissenting Shareholder had not exercised its Dissent Rights in respect of such Shares and (iv) will be deemed to have transferred

and assigned their Shares (free and clear of all liens) to the Company pursuant to the Plan of Arrangement in consideration for such fair value; or

(b) is ultimately not entitled, for any reason, to be paid fair value for the Shares in respect of which they have exercised Dissent Rights, will be deemed to have participated in the Arrangement on the same basis as a Shareholder who has not exercised Dissent Rights and shall be entitled to receive only the Purchase Price contemplated by the Plan of Arrangement that such Shareholder would have received pursuant to the Arrangement if such Shareholder had not exercised its Dissent Rights.

In no case will Purchaser, the Company or any other person be required to recognize any Dissenting Shareholder as a holder of Shares in respect of which Dissent Rights have been validly exercised after the completion of the transfer of the Shares held by the Dissenting Shareholder to the Company under the Plan of Arrangement, and each Dissenting Shareholder will cease to be entitled to the rights of a Shareholder in respect of the Shares in respect of which they have exercised Dissent Rights. The name of such Dissenting Shareholder will be removed from the register of Shareholders as to those Shares in respect of which Dissent Rights have been validly exercised at the same time as the transfer of the Shares held by the Dissenting Shareholder to the Company under the Plan of Arrangement occurs. In addition to any other restrictions under Division 2 of Part 8 of the BCBCA, none of the following persons are entitled to exercise Dissent Rights: (i) any holder of Options or Warrants; (ii) any Shareholder who votes or has instructed a proxyholder to vote such Shareholder's Shares in favour of the Arrangement Resolution (but only in respect of such Shares); and (iii) any Non-Registered Shareholder.

If a Registered Shareholder as at the Record Date is ultimately entitled to be paid by the Company for their Shares, such Dissenting Shareholder may enter into an agreement with the Company for the fair value of such Dissenting Shareholder's Shares. If such Dissenting Shareholder does not reach an agreement with the Company, such Dissenting Shareholder, or the Company, may apply to the Court, and the Court may (a) determine the payout value of the Dissenting Shareholder's Shares or order that the payout value of the Dissenting Shareholder's Shares be established by arbitration or by reference to the registrar, or a referee or a court and (b) make consequential orders and give directions as the Court considers appropriate. There is no obligation on the Company to make an application to the Court. The Dissenting Shareholder will be entitled to receive the fair value that the Shares had as of the close of business on the Business Day immediately preceding the date on which the Arrangement Resolution is adopted. After a determination of the fair value of the Dissenting Shareholder's Shares, the Company must then promptly pay that amount to the Dissenting Shareholder. If a Shareholder dissents there can be no assurance that the amount such Shareholder receives as fair value for its Shares will be more than or equal to the Purchase Price under the Arrangement.

Dissent Rights with respect to Notice Shares will terminate and cease to apply to the Dissenting Shareholder if, before full payment is made for the Notice Shares, (a) the Arrangement is abandoned or by its terms will not proceed, (b) the Arrangement Resolution is not passed by the requisite number of Shareholders, (c) the Arrangement Resolution is revoked before the Effective Time, (d) a court permanently enjoins or sets aside the Arrangement, (e) the Dissenting Shareholder consents to, or votes in favour of, the Arrangement Resolution, (f) the Dissenting Shareholder withdraws the Notice of Dissent with the Company's written consent, and (g) the Court determines that the Dissenting Shareholder is not entitled to dissent. If any of these events occur, the Company must return the share certificate(s) or DRS advices representing the Shares to the Dissenting Shareholder, the Dissenting Shareholder regains the ability to vote and exercise its rights as a Shareholder and the Dissenting Shareholder must return any money that the Company paid with respect to the Dissenting Company Shares in respect of the Dissenting Shareholder's Shares.

*Risks Associated with the Arrangement*

In evaluating the Arrangement, Securityholders should carefully consider the following risk factors relating to the Arrangement. The following risk factors should also be considered by Securityholders in conjunction with the other information included in this Information Circular and the risk factors disclosed in the Company’s management’s discussion and analysis of financial condition and results (i) for the years ended December 31, 2023, and 2022, and (ii) for the three months March 31, 2024, and 2023, filed on SEDAR+ on April 26, 2024 and May 29, 2024, respectively. Whether or not the Arrangement is completed, the Company will continue to face those risk factors that it currently faces with respect to its business and affairs.

The following risk factors are not a definitive list of all risk factors associated with the Arrangement. If any of the risk factors materialize, the expectations, and the predictions based on them, may need to be re-evaluated. The risks associated with the Arrangement include the risk factors set out below.

**The Arrangement Agreement may be terminated in certain circumstances, including in the event of a change having an adverse material effect on the Company, in which case an alternative transaction may not be available**. Each of the Company and Purchaser has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is

no certainty, nor can the Company provide any assurance, that the Arrangement Agreement will not be terminated by any of the Company or Purchaser before the completion of the Arrangement. Failure to complete the Arrangement could materially negatively impact the trading price of the SV Shares. If the Arrangement Agreement is terminated, there is no guarantee that equivalent or greater purchase prices for the Shares will be available from an alternative party.

**There can be no certainty that all conditions precedent to the Arrangement will be satisfied, including the receipt of Securityholder and Court approvals**. The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of the Company, including the approval of Securityholders, receipt of the Final Order, and satisfaction of the conditions precedent to the Arrangement. See "*Particulars of Matters to be Acted Upon - Approval of the Arrangement – The Arrangement Agreement – Conditions to the Arrangement Becoming Effective*". There can be no certainty, nor can the Company provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. Moreover, a substantial delay in obtaining satisfactory approvals could result in the Arrangement not being completed. If the Arrangement is not completed, the market price of the SV Shares may decline due to the dedication of substantial resources of the Company to the completion thereof, and to the extent that the current market price reflects a market assumption that the Arrangement will be completed. In addition, there may be opportunity cost to XS in pursuing the Arrangement to the exclusion of other possible strategies. If the Arrangement is not completed and the Board decides to seek another merger or arrangement, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the total consideration to be paid pursuant to the Arrangement.

**The Company will incur costs even if the Arrangement is not completed**. Certain costs related to the Arrangement, such as legal, accounting and Fairness Opinion fees, must be paid by the Company even if the Arrangement is not completed. The Company is liable for all of its costs incurred in connection with the Arrangement.

**The market price for the SV Shares may decline**. If the Arrangement is not approved by the Securityholders, the market price of the SV Shares may decline to the extent that the current market price of the SV Shares reflects a market assumption that the Arrangement will be completed. If the Arrangement Resolution is not approved and the Board decides to seek another merger or arrangement, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the total consideration to be paid pursuant to the Arrangement.

**Shareholders may exercise Dissent Rights**. Shareholders will be entitled to exercise Dissent Rights with respect to the Arrangement Resolution in accordance with Division 2 of Part 8 of the BCBCA. Payments in connection with the exercise of Dissent Rights may materially impair the Company's financial resources.

**The pending Arrangement may divert the attention of the Company's management**. The Arrangement could cause the attention of XS's management to be diverted from the day-to-day operations of the Company and customers or suppliers may seek to modify or terminate their business relationships with the Company. These disruptions could be exacerbated by a delay in the completion of the Arrangement and could have an adverse effect on the business, operating results or prospects of the Company.

**Lock-Up Agreements may discourage parties from attempting to acquire the Shares**. Locked-Up Securityholders who collectively beneficially own or exercise control or direction over approximately 48% of the issued and outstanding SV Shares, approximately 99% of the issued and outstanding PV Shares, approximately 84% of the issued and outstanding Options and approximately 10% of the issued and outstanding Warrants have entered into the Lock-Up Agreements under which they have agreed to vote in favour of the Arrangement Resolution, subject to the terms of such agreements. These Lock-Up Agreements may discourage other parties from attempting to acquire the Shares, even if those parties would otherwise be willing to offer greater value than that offered under the Arrangement.

**The Arrangement may effect the Company's ability to attract and retain key personnel or affect third party business relationships**. The Arrangement is dependent upon satisfaction of various conditions, and as a result, its completion is subject to uncertainty. In response to this uncertainty, the Company's clients may delay or defer decisions concerning the Company's leasing services. Any change, delay or deferral of those decisions by clients could negatively impact the Company's business, operations and prospects, regardless of whether the Arrangement is ultimately completed. In addition, since the completion of the Arrangement is subject to uncertainty, officers and employees of the Company may experience uncertainty about their future roles with the Company. This may adversely affect the Company's ability to attract or to retain key management and personnel in the period until the Arrangement is completed or terminated.

**Securityholders will no longer hold an interest in the Company following completion of the Arrangement**. Following the Arrangement, Securityholders will no longer hold any of the Shares, Options or Warrants and will forego any future increase in value that might result from future growth and the potential achievement of the Company's long-term plans.

**There are income tax consequences of the Arrangement**. The Arrangement will be a taxable transaction for Canadian federal income tax purposes. Shareholders should read carefully the information in this Information Circular under the heading "*Certain Canadian Federal Income Tax Considerations*". Securityholders are also urged to consult their own tax advisors to determine the particular tax consequences to them of the Arrangement.

**Executive officers of the Company have interests in the Arrangement that may be different from those of Securityholders generally**. In considering the recommendation of the Board to vote for the Arrangement Resolution, Securityholders should be aware that certain executive officers of XS have agreements or arrangements that provide them with interests in the Arrangement that differ from, or are in addition to, those of Securityholders generally. See "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Interests of Certain Persons in the Arrangement*".

**While the Arrangement is pending, the Company is restricted from soliciting alternative transactions**. The Arrangement Agreement contains limitations on the Company's ability to solicit alternative transactions from third parties following the execution of the Arrangement Agreement. See "*Particulars of Matters to be Acted Upon - Approval of the Arrangement – The Arrangement Agreement*".

**XS and Purchaser may be the targets of Claims which may delay or prevent the Arrangement from being completed**. XS and Purchaser may be the target of securities class actions and derivative lawsuits which could result in substantial costs and may delay or prevent the Arrangement from being completed. Securities class action lawsuits and derivative lawsuits are often brought against companies that have entered into an agreement to merge, to acquire a public company or to be acquired. Third parties may also attempt to bring Claims against XS and Purchaser seeking to restrain the Arrangement or seeking monetary compensation or other remedies. Even if the lawsuits are without merit, defending against these Claims can result in substantial costs and divert the time and resources of management. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting consummation of the Arrangement, that injunction may delay or prevent the Arrangement from being completed. In addition, political and public attitudes towards the Arrangement could result in negative press coverage and other adverse public statements affecting XS and Purchaser. Adverse press coverage and other adverse statements could lead to investigations by regulators, legislators and law enforcement officials or in Claims or otherwise negatively impact the ability of the Company or Purchaser following completion of the Arrangement, to take advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing such negative publicity, may have a material adverse effect on XS or Purchaser following completion of the Arrangement.

*Certain Canadian Federal Income Tax Considerations*

The following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a Shareholder who transfers Shares to Purchaser under the Arrangement and who, for purposes of the Tax Act and at all relevant times, (i) is the beneficial owner of the Shares, (ii) deals at arm's length with, and is not affiliated with, XS or Purchaser, and (iii) holds its Shares as capital property (a "**Holder**"). Shares will generally be considered capital property to a Shareholder provided the Shareholder does not hold the Shares in the course of carrying on a business of trading or dealing in securities and has not acquired the Shares in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Shareholders resident in Canada who might not otherwise be considered to hold their Shares as capital property may, in certain circumstances, be entitled to have their Shares and every other "Canadian security" (as defined in the Tax Act) owned by the Shareholder treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. A Shareholder considering making such election should consult its own tax advisor.

This summary is based on the current provisions of the Tax Act and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency published in writing and publicly available as of the date hereof. This summary also takes into account all specific proposals to amend the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that the Proposed Amendments will be enacted in the form proposed. However, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice, whether by legislative, governmental or judicial action, decision or interpretation, nor does it take into account provincial, territorial or foreign income tax considerations. This summary assumes that, at all relevant times prior to and including the time of acquisition of the Shares by Purchaser, the Shares will be listed on the CSE.

This summary is not applicable to a Holder: (i) that is a "financial institution" for the purposes of the "mark-to-market rules" as defined in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii) an interest in which is a "tax shelter investment" as defined in the Tax Act; (iv) that has elected to report its "Canadian tax results" for the purposes of the Tax Act in a currency other than Canadian currency; (v) that has entered into, or will enter into, a "derivative forward agreement" or "synthetic disposition arrangement", each as defined in the Tax Act, with respect to a Share; (vi) that is a partnership; (vii) that

is exempt from tax under Part I of the Tax Act, or (viii) that has acquired a Share on the exercise of an Option or Warrant. Such Holders should consult their own tax advisors having regard to their particular circumstances.

This summary is of a general nature only and is not intended to be legal or tax advice to any Shareholder and no representation with respect to the tax consequences to any particular Shareholder is made herein. Shareholders should consult their own tax advisors for advice with respect to the tax consequences to them of the Arrangement based on their particular circumstances. In addition, this summary does not address any tax considerations relevant to Optionholders or Warrantholders in respect of the Plan of Arrangement or otherwise, and Optionholders and Warrantholders should consult their own tax advisors. The discussion below is qualified accordingly.

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Shares must be expressed in Canadian dollars. Amounts denominated in foreign currency must be converted into Canadian dollars using the appropriate exchange rate on the date such amounts arise (as determined in accordance with the detailed rules contained in the Tax Act).

Holders Resident in Canada

The following portion of this summary is applicable to a Holder who, for the purposes of the Tax Act and any applicable tax treaty or convention and at all relevant times, is resident or deemed to be resident in Canada (a "**Resident Holder**").

*Disposition of Shares Pursuant to the Arrangement*

A Resident Holder (other than a Resident Dissenting Holder) who disposes of a Share for the Purchase Price pursuant to the Arrangement will generally realize a capital gain (or a capital loss) equal to the amount by which the Purchase Price in respect of the Share, net of any reasonable costs of disposition, exceeds (or is less than) the adjusted cost base of the Share to the Resident Holder as calculated under the Tax Act immediately prior to the disposition. For a description of the tax treatment of capital gains and capital losses, see "*Taxation of Capital Gains or Capital Losses*" below.

*Dissenting Resident Holders*

A Resident Holder who validly exercises Dissent Rights (a "**Resident Dissenting Holder**") is respect of their Shares and obtains an order of a court of competent jurisdiction in respect of the Arrangement and receives a payment from Purchaser for their Shares will be considered to have disposed of such Shares for proceeds of disposition equal to the amount received from Purchaser (not including the amount of any interest awarded by the Court). As a result, such Resident Dissenting Holder will generally realize a capital gain (or a capital loss) calculated in the same manner and with the tax consequences as described above with respect to a Resident Holder who disposes of a Shares for the Purchase Price pursuant to the Arrangement.

Any interest awarded to a Resident Dissenting Holder by the court must be included in computing such Resident Dissenting Holder's income for purposes of the Tax Act.

Additional income tax considerations may be relevant to Holders who fail to perfect or withdraw their claims pursuant to their Dissent Rights.

Holders considering exercising Dissent Rights should consult their own tax advisors.

*Taxation of Capital Gains or Capital Losses*

Subject to the Capital Gains Amendments, described below, generally, a Resident Holder is required to include in computing income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized by the Resident Holder in such taxation year. Subject to and in accordance with the rules contained in the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a particular taxation year against taxable capital gains realized by the Resident Holder in the year. Allowable capital losses in excess of taxable capital gains for the taxation year of disposition may, in general terms, be carried back and deducted in any of the three preceding taxation years, or in any subsequent year, against net taxable capital gains realized in such years, to the extent and subject to the restrictions described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Share may be reduced by the amount of any dividends received or deemed to have been received by such Resident Holder on Shares, to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or

a beneficiary of a trust that owns, directly or indirectly, Shares. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Under Proposed Amendments released on June 10, 2024 (the "**Capital Gains Amendments**"), the capital gains inclusion rate generally applicable for the purposes of determining a taxpayer's taxable capital gains and allowable capital losses for a particular taxation year is proposed to be increased from one-half to two-thirds. Where allowable capital losses in excess of taxable capital gains realized in a taxation year (a "**net capital loss**") are applied against taxable capital gains realized in another taxation year for which there is a different inclusion rate, the amount of the net capital loss that can be applied against the taxable capital gains in that year will be adjusted to match the inclusion rate used to compute those taxable capital gains.

The Capital Gains Amendments are generally proposed to apply for taxation years ending after June 24, 2024. (For a taxation year that includes June 25, 2024, the portion of such year prior to June 25, 2024 is referred to below as the "**first period**" and the portion of such year after June 24, 2024 as the "**second period**"). Accordingly, the Capital Gains Amendments include transitional rules that will effectively adjust a taxpayer's capital gains inclusion rate for the 2024 taxation year to generally include only one-half of "net capital gains" (i.e., capital gains in excess of capital losses) realized by the taxpayer in the first period (including any portion of a deemed capital gain allocated by a trust that is or is deemed to be in respect of a disposition of property occurring in the first period under the transitional rules described below), with the result that a taxpayer may have a blended inclusion rate for the 2024 taxation year.

The income of a Resident Holder that is an individual (other than certain trusts) for a particular taxation year in which the increased rate applies will be subject to certain adjustments which are intended to effectively reduce the individual's net inclusion rate to the original one-half for up to $250,000 of net capital gains realized (including any portion of a deemed capital gain allocated by a trust that is or is deemed to be in respect of a disposition of property occurring in the first period as set out in the Capital Gains Amendments) by such individual in the year that are not offset by an amount in respect of capital losses carried back or forward from another taxation year.

Resident Holders who may be subject to the increased rate of capital gains inclusion under the Capital Gains Amendments should consult their own tax advisors.

Other Taxes

A Resident Holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may also be liable to pay a refundable tax on certain investment income, including interest income and taxable capital gains. Pursuant to recent amendments to the Tax Act, this additional tax and refund mechanism in respect of "aggregate investment income" has been extended to "substantive CCPCs" as defined in the Tax Act. Resident Holders are advised to consult their own tax advisors regarding the possible implication of the recent amendments to the Tax Act regarding "substantive CCPCs" in their particular circumstances.

Capital gains realized by an individual or trust, other than certain trusts, may give rise to a liability for alterative minimum tax under the Tax Act. Recent amendments to the Tax Act may affect the liability of a Resident Holder for alternative minimum tax. Resident Holders should consult their own advisors with respect to the potential application of alternative minimum tax having regard to their own particular circumstances.

Holders Not Resident in Canada

The following portion of this summary is generally applicable to a Holder who, for the purposes of the Tax Act and any applicable tax treaty or convention and at all relevant times, is not resident or deemed to be resident in Canada and does not use or hold (and will not use or hold), and is not (nor will be) deemed to use or hold, their Shares in, or in the course of, carrying on a business in Canada (a "**Non-Resident Holder**"). In addition, this discussion does not apply to an insurer who carries on an insurance business in Canada and elsewhere or an authorized foreign bank (as defined in the Tax Act). Such Non-Resident Holders should consult their own tax advisors with respect to the Arrangement.

*Disposition of Shares pursuant to the Arrangement*

A Non-Resident Holder (other than a Non-Resident Dissenting Holder) who disposes of a Share for the Purchase Price pursuant to the Arrangement will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on such disposition unless the Share constitutes "taxable Canadian property" of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention. Provided that the Shares are listed on a designated stock exchange (which includes the CSE) at the time such Shares are transferred to

Purchaser pursuant to the Arrangement, a Share generally will not constitute taxable Canadian property to a Non-Resident Holder at that time unless at any time during the 60 month period immediately preceding that time the following two conditions were satisfied concurrently: (a) 25% or more of the issued shares of any class or series of XS's capital stock were owned by one or any combination of (i) the Non-Resident Holder, (ii) persons not dealing at arm's length with the Non-Resident Holder, or (iii) partnerships in which the Non-Resident Holder or a person not dealing at arm's length with the Non-Resident Holder held a membership interest, directly or indirectly through one or more partnerships; and (b) more than 50% of the fair market value of the Share was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act), or any option in respect of, or interest in, or for civil law rights in, any such property, whether or not such property exists. A Share held by a Non-Resident Holder can also be deemed to be taxable Canadian property in certain circumstances set out in the Tax Act.

Even if a Share is considered to be taxable Canadian property to a Non-Resident Holder, the Non-Resident Holder may be exempt from tax under the Tax Act on any gain on the disposition of such Share if the Share constitutes "treaty-protected property". A Share owned by a Non-Resident Holder will generally be treaty-protected property if the gain from the disposition of such Share would, because of an applicable income tax treaty or convention, be exempt from tax under the Tax Act. In the event a Share constitutes or is deemed to constitute taxable Canadian property but not treaty-protected property to a Non-Resident Holder, the tax consequences of the Non-Resident Holder realizing a capital gain on the disposition of such Share under the Arrangement will generally be as described above under the heading "*Holders Resident in Canada — Disposition of Shares Pursuant to the Arrangement*", subject to relief under an applicable income tax treaty or convention.

Non-Resident Holders whose Shares are, or may be, taxable Canadian property should consult their own tax advisors with respect to the Canadian federal tax consequences to them of disposing of Shares pursuant to the Arrangement, including any resulting Canadian reporting obligations.

*Dissenting Non-Resident Holders*

A Non-Resident Holder who validly exercises Dissent Rights (a "**Non-Resident Dissenting Holder**") is respect of their Shares and obtains an order of a court of competent jurisdiction in respect of the Arrangement and receives a payment from Purchaser for their Shares will be considered to have disposed of such Shares for proceeds of disposition equal to the amount received from Purchaser (not including the amount of any interest awarded by the Court). As a result, such Non-Resident Dissenting Holder will generally realize a capital gain (or a capital loss) calculated in the same manner and with the tax consequences as described above with respect to a Non-Resident Holder who disposes of a Share for the Purchase Price pursuant to the Arrangement.

Interest, if any, awarded by the court to a Non-Resident Dissenting Holder in connection with their exercise of Dissent Rights will generally not be subject to Canadian withholding tax provided that such interest is not "participating debt interest" (as defined in the Tax Act).

*United States Tax Considerations*

Each U.S. Holder of Shares should consult its own tax advisor as to the particular tax consequences to it of the receipt of the Purchase Price in exchange for the Shares pursuant to the Arrangement, including the effects of applicable U.S. federal, state and local tax laws and non-U.S. tax laws and possible changes in tax laws.

*Particulars of Matters to be Acted Upon*

At the Meeting, the Securityholders will be asked to approve the Arrangement Resolution, the full text of which is set out in Schedule "B" to this Information Circular. In order for the Arrangement to become effective, as provided in the Interim Order and by the BCBCA and MI 61-101, the Arrangement Resolution must be approved by at least

(A) 66 2/3% of the votes cast on the Arrangement Resolution by the holders of PV Shares present in person or represented by proxy at the Meeting;

(B) 66 2/3% of the votes cast on the Arrangement Resolution by the holders of SV Shares present in person or represented by proxy at the Meeting;

(C) 66 2/3% of the votes cast on the Arrangement Resolution by all Securityholders present in person or represented by proxy at the Meeting, voting together as a single class;

(D) A majority of the votes cast by the holders of SV Shares present in person or represented by proxy at the Meeting, excluding for this purpose votes attached to SV Shares held directly or indirectly by Messrs. David Kivitz, Antony Radbod and Justin Vuong; and

(E) a majority of the votes cast by the holders of PV Shares present in person or represented by proxy at the Meeting, excluding for this purpose votes attached to PV Shares held directly or indirectly by Messrs. David Kivitz, Antony Radbod and Justin Vuong.

To the knowledge of the Company, David Kivitz, Antony Radbod and Justin Vuong collectively hold, directly and indirectly, an aggregate of 3,698,790 SV Shares, 19,681.645 PV Shares, 22,166,666 Options and no Warrants representing approximately 4.8% of the SV Shares, approximately 75.2% of the PV Shares, approximately 56.4% of the Options and 0% of the outstanding Warrants as of such date.

The Board recommends that each Securityholder vote FOR the Arrangement Resolution. **Unless otherwise indicated, the persons named in the enclosed Proxy form intend to vote FOR the Arrangement Resolution.**

## INTEREST OF EXPERTS

To the best of the Company's knowledge, as at the date hereof, neither Compass Point who has prepared the Fairness Opinion, of copy of which is appended to this Information Circular, nor any director, officer, employee or partner thereof, have received a direct or indirect interest in any property of the Company or Purchaser or any associate or affiliate thereof except as disclosed herein. None of the aforementioned Persons nor any directors, officers, employees and partners, as applicable, of each of the aforementioned Persons, is currently expected to be elected, appointed or employed as a director, officer or employee of the Company or Purchaser or any associate or affiliate of the Company or Purchaser.

Link-It Accounting and Financial Services Inc., the auditor of the Company, has confirmed that it is independent with respect to the Company within the meaning of the CPA Code of Professional Conduct.

## OTHER BUSINESS

As of the date of this Information Circular, management of the Company knows of no other matters to be acted upon at the Meeting. However, should any other matters properly come before the Meeting, the Securities represented by the Proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting the Securities represented by the Proxy.

## STATEMENT OF EXECUTIVE COMPENSATION

For the purposes of this Information Circular, a "**Named Executive Officer**" or "**NEO**" means each of the following individuals:

(a) the CEO during any part of the most recently completed financial year;

(b) the CFO during any part of the most recently completed financial year;

(c) in respect of the Company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than $150,000 for that financial year; and

(d) each individual who would be a Named Executive Officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, and was not acting in a similar capacity, at the end of that financial year.

The following table provides a summary of compensation for services rendered in all capacities to the Company for the fiscal years ended December 31, 2022 and 2023 in respect of the individuals who served as (i) the Named Executive Officers of the Company during the fiscal year ended December 31, 2023; and (ii) the directors of the Company for the fiscal year ended December 31, 2023. See also "*Stock Options and Other Compensation Securities*" below.

**Table of Compensation Excluding Compensation Securities**

| Name and Position | Fiscal Year Ended Dec 31 | Salary, Consulting Fee, Retainer or Commission | Bonus | Committee or Meeting Fees | Value of Perquisites | Value of All Other Compensation | Total Compensation |
|---|---|---|---|---|---|---|---|
| David Kivitz, CEO | 2023 | $297,917 | $145,833 | N/A | N/A | N/A | $443,750 |
| | 2022 | $250,000 | $166,667 | N/A | N/A | N/A | $416,667 |
| Justin Vuong, CFO | 2023 | $219,375 | $83,333 | N/A | N/A | N/A | $302,708 |
| | 2022 | $145,000 | $124,167 | N/A | N/A | N/A | $269,167 |
| Stephen Christoffersen, Director and Former CFO[(1)] | 2023 | $73,333 | $6,666 | N/A | N/A | N/A | $79,999 |
| | 2022 | $78,060 | $3,333 | N/A | N/A | N/A | $81,393 |
| Antony Radbod, COO | 2023 | $297,917 | $145,833 | N/A | N/A | N/A | $443,750 |
| | 2022 | $250,000 | $166,667 | N/A | N/A | N/A | $416,667 |
| Gary Herman, Director | 2023 | $40,000 | $0 | N/A | N/A | N/A | $40,000 |
| | 2022 | $40,000 | $0 | N/A | N/A | N/A | $40,000 |
| Andrew Mitchell, Former Director | 2023 | $40,000 | $0 | N/A | N/A | N/A | $40,000 |
| | 2022 | $40,000 | $0 | N/A | N/A | N/A | $40,000 |

(1) Mr. Christoffersen was appointed as Chief Financial Officer on August 17, 2022 and resigned as Chief Financial Officer on May 31, 2023.

**Stock Options and Other Compensation Securities**

Set forth in the table below is a summary of all compensation securities granted or issued to each Named Executive Officer and director of the Company during the fiscal year ended December 31, 2023.

| Compensation Securities | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name and Position** | **Type of Compensation Security** | **Number of Compensation Securities** | **Date of Issue or Grant** | **Issue, Conversion or Exercise Price (Cdn$)** | **Closing Price of Security or Underlying Security on Date of Grant** | **Closing Price of Security or Underlying Security at Year End** | **Expiry Date** |
| David Kivitz[(1)] | Stock Options | 9,155,800 | February 3, 2023 | $0.07 | $0.08 | $0.03 | February 3, 2033 |
| Antony Radbod[(2)] | Stock Options | 9,155,800 | February 3, 2023 | $0.07 | $0.08 | $0.03 | February 3, 2033 |
| Gary Herman[(3)] | Stock Options | 1,446,650 | February 3, 2023 | $0.07 | $0.08 | $0.03 | February 3, 2033 |
| Stephen Christoffersen[(4)] | Stock Options | 1,831,160 | February 3, 2023 | $0.07 | $0.08 | $0.03 | February 3, 2033 |
| Andrew Mitchell[(5)] | Stock Options | 1,446,650 | February 3, 2023 | $0.07 | $0.08 | $0.03 | February 3, 2033 |
| Justin Vuong[(6)] | Stock Options | 3,855,070 | February 3, 2023 | $0.07 | $0.08 | $0.03 | February 3, 2033 |

**Notes:**

(1) At December 31, 2023, Mr. Kivitz held 9,155,800 Options, each exercisable at $0.07 until February 3, 2033. All Options held by Mr. Kivitz are exercisable to acquire PV Shares and, unless otherwise noted, have been presented in this Information Circular on an "as converted" to SV Share basis.

(2) At December 31, 2023, Mr. Radbod held 9,155,800 Options, each exercisable at $0.07 until February 3, 2033. All Options held by Mr. Radbod are exercisable to acquire PV Shares and, unless otherwise noted, have been presented in this Information Circular on an "as converted" to SV Share basis.

(3) At December 31, 2023, Mr. Herman held 1,446,650 Options, each exercisable at $0.07 until February 3, 2033. All Options held by Mr. Herman are exercisable to acquire PV Shares and, unless otherwise noted, have been presented in this Information Circular on an "as converted" to SV Share basis.

(4) At December 31, 2023, Mr. Christoffersen held 1,831,160 Options, each exercisable at $0.07 until February 3, 2033. All Options held by Mr. Christoffersen are exercisable to acquire PV Shares and, unless otherwise noted, have been presented in this Information Circular on an "as converted" to SV Share basis.

(5) At December 31, 2023, Mr. Mitchell held 1,446,650 Options, each exercisable at $0.07 until February 3, 2033. All Options held by Mr. Mitchell are exercisable to acquire PV Shares and, unless otherwise noted, have been presented in this Information Circular on an "as converted" to SV Share basis.

(6) At December 31, 2023, Mr. Vuong held 3,855,070 Options, each exercisable at $0.07 until February 3, 2033. All Options held by Mr. Vuong are exercisable to acquire PV Shares and, unless otherwise noted, have been presented in this Information Circular on an "as converted" to SV Share basis.

### Exercise of Compensation Securities by Directors and Named Executive Officers

No compensation securities were exercised by any Named Executive Officers or directors of the Company during the fiscal year ended December 31, 2023.

## COMPENSATION DISCUSSION AND ANALYSIS

The Company's approach to executive compensation has been to provide suitable compensation for executives that is internally equitable, externally competitive and reflects individual achievement. The Company attempts to maintain compensation arrangements that will attract and retain highly qualified individuals who are able and capable of carrying out the objectives of the Company. The Company's compensation arrangements for the Named Executive Officers may, in addition to salary, include compensation in the form of bonuses and, over a longer term, benefits arising from the grant of Options. Given the stage of development of the Company, compensation of the Named Executive Officers currently emphasizes base salaries and bonuses, with a reduced reliance on Option awards. This policy may be re-evaluated in the future depending upon the future development of the Company and other factors which may be considered relevant by the Board from time to time.

In respect of the financial year ended December 31, 2023: (i) a salary of US$297,917 and bonus of $145,833 was paid in respect of the services of the Chief Executive Officer of the Company; (ii) a salary of US$219,375 and bonus of $124,167 was paid in respect of the services of the Chief Financial Officer of the Company, and a salary of US$73,333 and bonus of $6,666 in respect of the services of the former Chief Financial Officer of the Company; and (iii) a salary of US$297,917 and bonus of $145,833 was paid in respect of the services of the Chief Operating Officer of the Company. The Company has established a Compensation Committee which establishes and reviews the Company's overall compensation philosophy and its general compensation policies with respect to executive officers, including the corporate goals and objectives and the annual performance objectives relevant to such officers. The Compensation Committee evaluates each officer's performance in light these goals and objectives and, based on its evaluation, determines and approves the salary, bonus, Options and other benefits for such officers. In determining compensation matters, the Compensation Committee and the Board may consider a number of factors, including the Company's performance, the value of similar incentive awards to officers performing similar functions at comparable companies, the awards given in past years and other factors it considers relevant. The current overall objective of the Company's compensation strategy is to reward management for their efforts, while seeking to conserve cash given current market conditions.

With respect to any bonuses or incentive plan grants which may be awarded to executive officers in the future, the Company has not currently set any objective criteria and will instead rely upon any recommendations and discussion at the Compensation Committee level with respect to the above-noted considerations and any other matters which the Compensation Committee and Board may consider relevant on a going-forward basis, including the cash position of the Company. See also "*Termination of Employment, Change in Responsibilities and Employment Contracts*" below. Any existing Options held by the Named Executive Officers at the time of subsequent Option grants are taken into consideration in determining the quantum or terms of any such subsequent Option grants. Options have been granted to directors, management, employees and certain service providers as long-term incentives to align the individual's interests with those of the Company. The size of the awards is in proportion to the deemed ability of the individual to make an impact on the Company's success.

## TERMINATION OF EMPLOYMENT, CHANGE IN RESPONSIBILITIES AND EMPLOYMENT CONTRACTS

*David Kivitz*

The Executive Employment Agreement between the Company and Mr. Kivitz (the "**CEO Employment Agreement**"), requires the Company to compensate Mr. Kivitz for his services as Chief Executive Officer. Per the terms of the agreement, Mr. Kivitz is currently entitled to receive a base salary of US$300,000 to be adjusted from time to time based on performance or other factors in the Company's discretion. In addition, the agreement allows Mr. Kivitz to participate in the Company's benefit plans and programs including but not limited to group insurance, pension, retirement, vacation, expense reimbursement or other plans, programs or benefits the Company offers to employees. Mr. Kivitz is also eligible to receive short term incentive bonuses approved by the Compensation Committee and based on key performance indicators as set forth by the Compensation Committee. Mr. Kivitz is eligible to receive long term incentives in the form of stock options approved by the Compensation Committee.

In the event that Mr. Kivitz performs services which result in the acquisition or merger of another entity or a transaction that results in a change of control, Mr. Kivitz may be eligible for additional bonuses as approved by the Compensation Committee in its sole discretion.

The CEO Employment Agreement may be terminated (i) by the Company at any time for cause or otherwise upon 30 days written notice; or (ii) by Mr. Kivitz upon 30 days written notice (subject to a 20 day "cure" period in the event that Mr. Kivitz provides notice that he intends to terminate for "good reason" as defined in the CEO Employment Agreement). In the event that the CEO Employment Agreement is terminated by Mr. Kivitz for "good reason" or by the Company without cause, including within 12 months of a "change of control" (as defined in the CEO Employment Agreement), Mr. Kivitz shall be entitled to a severance payment equal to 24 months salary and bonus, together with continuation of benefits for such period.

In addition, the CEO Employment Agreement automatically terminates in the event of death and may be terminated by the Company in the event of disability, each as further set forth therein.

*Antony Radbod*

The Executive Employment Agreement between the Company and Mr. Radbod (the "**COO Employment Agreement**"), requires the Company to compensate Mr. Radbod for his services as Chief Operating Officer. Per the terms of the agreement, Mr. Radbod is to receive a base salary of US$300,000 to be adjusted from time to time based on performance or other factors in the Company's discretion. In addition, the agreement allows Mr. Radbod to participate in the Company's benefit plans and programs including but not limited to group insurance, pension, retirement, vacation, expense reimbursement or other plans, programs or benefits the Company offers to employees. Mr. Radbod is also eligible to receive short term incentive bonuses approved by the

Compensation Committee and based on key performance indicators as set forth by the Compensation Committee. Mr. Radbod is eligible to receive long term incentives in the form of stock options approved by the Compensation Committee.

In the event that Mr. Radbod performs services which result in the acquisition or merger of another entity or a transaction that results in a change of control, Mr. Radbod may be eligible for additional bonuses as approved by the Compensation Committee in its sole discretion.

The COO Employment Agreement may be terminated (i) by the Company at any time for cause or otherwise upon 30 days written notice; or (ii) by Mr. Radbod upon 30 days written notice (subject to a 20 day "cure" period in the event that Mr. Radbod provides notice that he intends to terminate for "good reason" as defined in the COO Employment Agreement). In the event that the COO Employment Agreement is terminated by Mr. Radbod for "good reason" or by the Company without cause, including within 12 months of a "change of control" (as defined in the COO Employment Agreement), Mr. Radbod shall be entitled to a severance payment equal to 24 months salary and bonus, together with continuation of benefits for such period.

In addition, the COO Employment Agreement automatically terminates in the event of death and may be terminated by the Company in the event of disability, each as further set forth therein.

*Justin Vuong*

The Executive Employment Agreement between the Company and Mr. Vuong (the "**CFO Employment Agreement**"), requires the Company to compensate Mr. Vuong for his services as Chief Financial Officer. Per the terms of the agreement, Mr. Vuong is to receive a base salary of US$250,000 to be adjusted from time to time based on performance or other factors in the Company's discretion. In addition, the agreement allows Mr. Vuong to participate in the Company's benefit plans and programs including but not limited to group insurance, pension, retirement, vacation, expense reimbursement or other plans, programs or benefits the Company offers to employees. Mr. Vuong is also eligible to receive short term incentive bonuses approved by the Compensation Committee and based on key performance indicators as set forth by the Compensation Committee. Mr. Vuong is eligible to receive long term incentives in the form of stock options approved by the Compensation Committee.

In the event that Mr. Vuong performs services which result in the acquisition or merger of another entity or a transaction that results in a change of control, Mr. Vuong may be eligible for additional bonuses as approved by the Compensation Committee in its sole discretion.

The CFO Employment Agreement may be terminated (i) by the Company at any time for cause or otherwise upon 30 days written notice; or (ii) by Mr. Vuong upon 30 days written notice (subject to a 20 day "cure" period in the event that Mr. Vuong provides notice that he intends to terminate for "good reason" as defined in the CFO Employment Agreement). In the event that the CFO Employment Agreement is terminated by Mr. Vuong for "good reason" or by the Company without cause, including within 12 months of a "change of control" (as defined in the CFO Employment Agreement), Mr. Vuong shall be entitled to a severance payment equal to 24 months salary and bonus, together with continuation of benefits for such period.

In addition, the CFO Employment Agreement automatically terminates in the event of death and may be terminated by the Company in the event of disability, each as further set forth therein.

## COMPENSATION OF DIRECTORS

Directors of the Company that are not also executive officers of the Company are paid a quarterly fee of $10,000. The directors are not currently paid any fee in respect of the attendance at directors' and shareholder's meetings. Directors are eligible to participate in the Equity Incentive Plans. Directors may also be compensated for services provided to the Company as consultants or experts on the same basis and at the same rate as would be payable if such services were provided by a third party, arm's length service provider. During the year ended December 31, 2023, no such fees were paid to any director who is not also an executive officer. As of December 31, 2023, the Company had an aggregate of 42,075,461 outstanding Options, of which 23,036,057 such Options were issued to directors (all as presented on an "as converted" to SV Share basis).

*Equity Incentive Plans*

The Company has two Equity Incentive Plans, being (i) an incentive plan which provides for the grant of SV Share-based compensation awards (the "**SV Plan**"); and (ii) an incentive plan which provides for the grant of PV Share-based awards (the "**PV Plan**").

The Equity Incentive Plans contain similar terms and conditions, with the primary exception being that the SV Plan provides for

awards involving SV Shares, while the PV Plan provides for awards involving PV Shares. Up to 75,000,000 SV Shares may be issued under the SV Plan. Up to 30,000,000 PV Shares may be issued under the PV Plan. The following is a summary only and is qualified in its entirety to the full terms of the Equity Incentive Plans.

The purpose of the Equity Incentive Plans is to attract, retain and reward those designated individuals who are expected to contribute significantly to the success of the Company, to incentivize such individuals to perform at the highest level, to strengthen the mutuality of interests between such individuals and the Shareholders and, in general, to further the best interests of the Company and its Shareholders. The Equity Incentive Plans are intended to comply with Section 422 of the U.S. Internal Revenue Code of 1986 (the "**Code**") with respect to the U.S. employees participating in the Equity Incentive Plans, if and when applicable.

The following is a summary of the material terms of the Equity Incentive Plans:

(i) with respect to Options (as defined in the Equity Incentive Plans):

(A) the purchase price per share purchasable under an Option shall be determined by a committee of the Board (the "**Committee**") and shall not, except in the case of certain exceptions as set out in the Equity Incentive Plans, be less than 100% of the Fair Market Value (as defined in the Equity Incentive Plans) of the underlying share on the last trading day prior to the date of grant of such Option provided, however, that, in the case of the grant of an Option to a participant who, at the time such Option is granted, owns stock possessing more than 10% of the total combined voting power of all classes of shares of the Company or any parent or subsidiary thereof (a "**More Than 10% Shareholder**"), the purchase price per share purchasable under an Incentive Stock Option (as defined in the Equity Incentive Plans) shall be not less than 110% of the Fair Market Value of the underlying share on the last trading date prior to the grant of such Option; and

(B) the term shall be fixed by the Committee at the date of grant but shall not be longer than ten years from the date of grant, or five years in the case of an Incentive Stock Option granted to a More Than 10% Shareholder;

(ii) with respect to Stock Appreciation Rights (as defined in the Equity Incentive Plans):

(A) Stock Appreciation Rights granted under the Equity Incentive Plans may be granted either alone or in addition to other awards and may, but need not, relate to a specific Option grant;

(B) any tandem Stock Appreciation Rights related to an Option may be granted at the same time as such Option. In the case of any tandem Stock Appreciation Right related to any Option, the Stock Appreciation Right or applicable portion thereof shall not be exercisable until the related Option or applicable portion thereof is exercisable and shall terminate and no longer be exercisable upon the termination or exercise of the related Option, except that a Stock Appreciation Right granted with respect to less than the full number of underlying shares covered by a related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of underlying shares not covered by the Stock Appreciation Right; and

(C) a freestanding Stock Appreciation Right shall not have a term of greater than 10 years or, unless it is a Substitute Award (as defined in the Equity Incentive Plans), an exercise price less than 100% of Fair Market Value of the underlying shares on the last trading date prior to the date of grant;

(iii) shares of Restricted Stock and Restricted Stock Units (each as defined in the Equity Incentive Plans) shall be subject to such restrictions as the Committee may impose;

(iv) the Committee, in its discretion, may award Deferred Stock Units (as defined in the Equity Incentive Plans) and dividend equivalents with respect to awards of Deferred Stock Units; and

(v) with respect to Other-Stock Based Awards (as defined in the Equity Incentive Plans), the Committee is authorized to grant

such other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, the underlying shares, as are deemed by the Committee to be consistent with the purpose of the applicable Equity Incentive Plan and the Committee shall determine the terms and conditions of such awards.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information as of the end of the twelve months ended December 31, 2023, with respect to compensation plans under which equity securities of the Company are authorized for issuance.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuances under equity compensation plan (excluding securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders (Equity Incentive Plan – PV Shares) | 28,338 PV Shares | $70.00 per PV Share | 29,971,662 PV Shares |
| Equity compensation plans approved by security holders (Equity Incentive Plan - SV Shares) | 13,737,461 SV Shares | $0.14 per SV Share | 61,262,539 SV Shares |
| Equity compensation plans not approved by security holders | N/A | N/A | N/A |
| Total | 28,338 PV Shares and 13,737,461 SV Shares | $70.00 per PV Share and $0.14 per SV Share | 29,971,662 PV Shares and 61,262,539 SV Shares |

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors, executive officers, employees, and their associates, or any former executive officers, directors and employees of the Company or any of its subsidiaries, is, as at the date of this Information Circular, or has been at any time during the twelve months ended December 31, 2023, indebted to the Company or any of its subsidiaries outside of normal course of business.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than the grant of Options to certain directors and officers of the Company pursuant to the Equity Incentive Plans, since the commencement of the Company's twelve months ended December 31, 2023, no informed person (a director, officer or holder of 10% or more of the Shares) or any associate or affiliate of any informed person had any interest in any transaction that has materially affected or would materially affect the Company or any of its subsidiaries.

Pursuant to the Arrangement, the Company currently anticipates that upon closing of the Arrangement, (i) Shares held by insiders of the Company will be exchanged for payment of the Purchase Price in accordance with the Plan of Arrangement; and (ii) following the Effective Date, the Company will continue to operate as a private enterprise and certain insiders of the Company will provide services to the Company pursuant to the Employment Agreements. In addition, certain insiders will also receive certain bonuses at the discretion of the Compensation Committee in connection with the Arrangement. See "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Special Committee*" for further details.

## MANAGEMENT CONTRACTS

Management functions of the Company or any of its subsidiaries are not to any substantial degree performed by anyone other than by the directors or executive officers of the Company or subsidiary.

## STATEMENT OF CORPORATE GOVERNANCE

### Corporate Governance

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the Shareholders, and takes into account the role of the individual members of management who are appointed by the Board and charged with the day-to-day management of the Company. The Canadian Securities Administrators have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. In addition, the Canadian Securities Administrators have implemented NI 58-101, which prescribes certain disclosure by the Company of its corporate governance practices. This disclosure is presented below.

### Board of Directors

NI 58-101 defines an "independent director" as a director who has no direct or indirect material relationship with the Company. A "material relationship" is in turn defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with such member's independent judgement. The Board is currently comprised of four members, one of whom the Board has determined is an "independent director" within the meaning of NI 58-101.

Messrs. David Kivitz, Antony Radbod and Stephen Christoffersen are not considered independent directors as they currently serve, or within the past three years have served, as executive officers of the Company, while Mr. Gary Herman is considered to be an independent director since he is independent of management and free from any material relationship with the Company. The basis for this determination is that the independent director has not worked for the Company, received material remuneration from the Company or had material contracts with or material interests in the Company which could interfere with his ability to act with a view to the best interests of the Company.

The Board believes that it functions independently of management. To enhance its ability to act independently of management, the Board may in the future meet in the absence of members of management or may excuse such persons from all or a portion of any meeting where a potential conflict of interest arises or where otherwise appropriate.

### Orientation and Continuing Education

While the Company currently has no formal orientation and education program for new Board members, sufficient information (such as recent financial statements, prospectuses, proxy solicitation materials, technical reports and various other operating, property and budget reports) is provided to any new Board member to ensure that new directors are familiarized with the Company's business and the procedures of the Board. In addition, new directors are encouraged to visit and meet with management on a regular basis. The Company also encourages continuing education of its directors and officers where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to the Company.

### Ethical Business

Given the small size of the Board and stage of development of the Company, the Board has determined that the fiduciary obligations placed on directors pursuant to applicable corporate laws are effective in ensuring ethical business conduct on the part of its directors. In addition, all employees and Board members have signed a Code of Conduct.

### Nomination of Directors

The Board performs the functions of a nominating committee with responsibility for the appointment and assessment of directors. The Board believes that this is a practical approach at this stage of the Company's development and given the relatively small size of the Board.

While there are no specific criteria for board membership, the Company attempts to attract and maintain directors with business knowledge and a particular knowledge of leasing or other areas (such as finance) which provide knowledge which would assist in guiding the officers of the Company. As such, nominations tend to be the result of recruitment efforts by management of the Company and discussions among the directors prior to the consideration of the Board as a whole.

**Compensation**

The Board has established a Compensation Committee which will review on an annual basis the adequacy and form of compensation of executive officers and directors to ensure that their compensation reflects the responsibilities, time commitment and risks involved in being an effective officer and/or director. Currently, the directors of the Company do not receive any cash fees in their capacities as directors. All directors are eligible to participate in the Equity Incentive Plans. See "*Compensation of Directors*".

**Other Board Committees**

Currently, the Company has an Audit Committee, Compensation Committee, Corporate Governance Committee and Investment Committee.

The purpose of the Corporate Governance Committee is to assist the Board in (i) establishing the Company's corporate governance policies and practices generally; (ii) reviewing the effectiveness of the Board and its committees; and (iii) promoting a culture of integrity throughout the Company. The Committee is also responsible for (i) monitoring the appropriateness of structures to ensure that the Board can function independently of the senior officers of the Company; (ii) providing an orientation and education program for new directors; and (iii) monitoring and, when appropriate, making recommendations to the Board concerning the corporate governance of the Company including assessing the Company's corporate governance policies and practices, evaluating the functioning of the Board, its committees and individual directors and approving the annual disclosure of the Company's corporate governance practices.

The purpose of the Investment Committee is to participate in the review, approval and supervision of the Company's capital expenditure and lease financings.

**Assessments**

The Board assesses, on a periodic basis, the contributions of the Board as a whole and each of the individual directors, in order to determine whether each is functioning effectively.

## AUDIT COMMITTEE

NI 52-110 requires the Company, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor, as set forth in the following.

**Audit Committee Disclosure**

Pursuant to Section 224(1) of the BCBCA and NI 52-110 the Company is required to have an audit committee comprised of not less than three directors, a majority of whom are not officers, control persons or employees of the Company or an affiliate of the Company.

The primary function of the Audit Committee is to assist the Board in fulfilling its financial oversight responsibilities by: (a) reviewing the financial reports and other financial information provided by the Company to regulatory authorities and Shareholders; (b) reviewing the systems for internal corporate controls which have been established by the Board and management; and (c) overseeing the Company's financial reporting processes generally. In meeting these responsibilities, the Audit Committee monitors the financial reporting process and internal control system; reviews and appraises the work of external auditors and provides an avenue of communication between the external auditors, senior management and the Board. The Audit Committee is also mandated to review and approve all material related party transactions.

**Composition of the Audit Committee**

The Company's current Audit Committee consists of Gary Herman, Stephen Christoffersen and David Kivitz.

Mr. Herman is considered to be independent, while Messrs. Christoffersen and Kivitz are not considered to be independent as a result of their current or former roles as executive officers of the Company. In addition, each member of the Audit Committee is considered to be financially literate as defined by NI 52-110 in that he has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements.

**Relevant Education and Experience**

All members of the Audit Committee have:

- an understanding of the accounting principles used by the Company to prepare its financial statements, and the ability to assess the general application of those principles in connection with estimates, accruals and provisions;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising individuals engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

The relevant education and/or experience of each member of the Audit Committee is described below:

*Gary Herman (Chair)*

Mr. Herman has been a director of XS since May 2019. Mr. Herman is a seasoned investor with many years of investment and business experience. From 2005 to 2020 he co-managed Strategic Turnaround Equity Partners, LP (Cayman) and its affiliates. From January 2011 to August 2013, he was a managing member of Abacoa Capital Management, LLC, which managed Abacoa Capital Master Fund, Ltd., focused on a Global-Macro investment strategy. From 2005 to 2020, Mr. Herman was affiliated with Arcadia Securities LLC, a New York-based broker-dealer. From 1997 to 2002, he was an investment banker with Burnham Securities, Inc. From 1993 to 1997, he was a managing partner of Kingshill Group, Inc., a merchant banking and financial firm with offices in New York and Tokyo. Mr. Herman has a B.S. from the University at Albany with a major in Political Science and minors in Business and Music. Mr. Herman has many years of experience serving on the boards of public and private companies.

*Stephen Christoffersen*

Mr. Christoffersen has 15 years of global capital markets and executive management experience. From 2018 to 2021, Mr. Christoffersen worked for KushCo Holdings Inc. ("**KushCo**") where led a business turnaround that led to an acquisition by Greenlane Holdings. Additionally, Mr. Christoffersen was previously the Chief Executive Officer and a director at Western Acquisition Ventures. During his time as Chief Executive Officer of Western Acquisition Ventures, he was part of raising US$115 million for the Special Purpose Acquisition Company through both a PIPE investment and NASDAQ IPO. Prior to joining KushCo, Mr. Christoffersen served as Vice President of Investment Strategy for Comerica Asset Management Inc., where he managed $500 million and oversaw asset allocation and investments. Mr. Christoffersen received his Chartered Financial Analyst designation in 2015 and holds a Bachelor of Science degree in Finance from the University of Nevada, Las Vegas.

*David Kivitz*

Mr. Kivitz has over 20 years of investment analysis and operations experience in high-growth businesses. He currently serves as the Chief Executive Officer of XS and was previously a Co-Founder and Managing Partner at the Alta Verde Group, which successfully acquired and developed a portfolio of 300 distressed finished lots, resulting from the 2008 U.S. housing market crash. Alta Verde Group grew to over US$50 million in annual sales and was recognized in 2015 as the #3 Fastest Growing Private Company in Los Angeles by The LA Business Journal. During his tenure at the Alta Verde Group, Mr. Kivitz structured and closed more than US$250 million of land and construction financing to achieve scale for the company. Mr. Kivitz received a Bachelor of Business Administration with a concentration in Finance from George Washington University.

**The Audit Committee's Charter**

The Company has adopted a Charter of the Audit Committee of the Board, a copy of which is attached as Schedule "A".

**Audit Committee Oversight**

Since the commencement of the Company's twelve months ended December 31, 2023, the Board has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

**Reliance on Certain Exemptions**

Since the commencement of the Company's twelve months ended December 31, 2023, the Company has not relied on the exemptions contained in sections 2.4, 6.1.1(4), (5) or (6), or Part 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the Audit Committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Section 6.1.1(4), (5) and (6) provide exemptions in certain circumstances from the requirement that a majority of the members of the Audit Committee must not be executive officers, employees or control persons of the venture issuer. Part 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

**Pre-Approval Policies and Procedures**

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Board, and where applicable the Audit Committee, on a case-by-case basis.

**External Auditor Service Fees**

In the following table, "audit fees" are fees billed by the Company's external auditor for services provided in auditing the Company's annual financial statements for the subject period. "Audit-related fees" are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. "Tax fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditor for products and services not included in the foregoing categories.

The fees paid by the Company to its auditor in each of the last two fiscal periods, by category, are as follows:

| Fiscal Year Ended | Audit Fees | Audit Related Fees | Tax Fees | All Other Fees |
|---|---|---|---|---|
| December 31, 2023 | US$70,000 | US$6,305 | N/A | N/A |
| December 31, 2022 | US$137,500 | US$6,048 | US$2,737 | N/A |

**Exemption**

The Company is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Company, as a venture issuer, is not required to comply with Part 5 (Reporting Obligations) of NI 52-110.

## ADDITIONAL INFORMATION

Additional information relating to the Company is available on the SEDAR+ website at www.sedarplus.ca. Financial information is provided in the Company's comparative financial statements and management's discussion and analysis for the years ended December 31, 2023, and 2022, and the Company's comparative unaudited interim consolidated financial statements and management's discussion and analysis for the three months ended March 31, 2024, and 2023, which are available online at www.sedarplus.ca. Shareholders may request copies by mail to XS Financial Inc., 1901 Avenue of the Stars, Suite 120, Los Angeles, CA 90067.

## DIRECTORS' APPROVAL

The contents and the sending of the Notice of Meeting and this Information Circular to Securityholders has been approved by the Board. The most recent annual financial report of the Company for the fiscal year ended December 31, 2023 is available on SEDAR+ at www.sedarplus.ca, and a copy will be sent without charge to any security holder upon request.

**ON BEHALF OF THE BOARD OF DIRECTORS**

*"David Kivitz"*

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David Kivitz
Chief Executive Officer

**Schedule "A"**

**XS FINANCIAL INC.**
**Audit Committee Charter**

PURPOSE OF THE COMMITTEE

The purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of the Company is to provide an open avenue of communication between management, the Company's independent auditor and the Board and to assist the Board in its oversight of:

- the integrity, adequacy and timeliness of the Company's financial reporting and disclosure practices;
- the Company's compliance with legal and regulatory requirements related to financial reporting; and
- the independence and performance of the Company's independent auditor.

The Committee shall also perform any other activities consistent with this Charter, the Company's articles and governing laws as the Committee or Board deems necessary or appropriate.

The Committee shall consist of at least three directors. Members of the Committee shall be appointed by the Board and may be removed by the Board in its discretion. The members of the Committee shall elect a Chairman from among their number.

A majority of the members of the Committee must not be officers or employees of the Company or of an affiliate of the Company. Committee is a majority of the members who are not officers or employees of the Company or of an affiliate of the Company. With the exception of the foregoing quorum requirement, the Committee may determine its own procedures.

The Committee's role is one of oversight. Management is responsible for preparing the Company's financial statements and other financial information and for the fair presentation of the information set forth in the financial statements in accordance with generally accepted accounting principles ("GAAP"). Management is also responsible for establishing internal controls and procedures and for maintaining the appropriate accounting and financial reporting principles and policies designed to assure compliance with accounting standards and all applicable laws and regulations.

The independent auditor's responsibility is to audit the Company's financial statements and provide its opinion, based on its audit conducted in accordance with generally accepted auditing standards, that the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company.

The Committee is responsible for recommending to the Board the independent auditor to be nominated for the purpose of auditing the Company's financial statements, preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, and for reviewing and recommending the compensation of the independent auditor. The Committee is also directly responsible for the evaluation of and oversight of the work of the independent auditor. The independent auditor shall report directly to the Committee.

AUTHORITY AND RESPONSIBILITIES

In addition to the foregoing, in performing its oversight responsibilities the Committee shall:

1. Monitor the adequacy of this Charter and recommend any proposed changes to the Board.

2. Review the appointments of the Company's Chief Financial Officer and any other key financial executives involved in the financial reporting process.

3. Review with management and the independent auditor the adequacy and effectiveness of the Company's accounting and financial controls and the adequacy and timeliness of its financial reporting processes.

4. Review with management and the independent auditor the annual financial statements and related documents and review with management the unaudited quarterly financial statements and related documents, prior to filing or distribution, including matters required to be reviewed under applicable legal or regulatory requirements.

5. Where appropriate and prior to release, review with management any news releases that disclose annual or interim financial results or contain other significant financial information that has not previously been released to the public.

6. Review the Company's financial reporting and accounting standards and principles and significant changes in such standards or principles or in their application, including key accounting decisions affecting the financial statements, alternatives thereto and the rationale for decisions made.

7. Review the quality and appropriateness of the accounting policies and the clarity of financial information and disclosure practices adopted by the Company, including consideration of the independent auditor's judgment about the quality and appropriateness of the Company's accounting policies. This review may include discussions with the independent auditor without the presence of management.

8. Review with management and the independent auditor significant related party transactions and potential conflicts of interest.

9. Pre-approve all non-audit services to be provided to the Company by the independent auditor.

10. Monitor the independence of the independent auditor by reviewing all relationships between the independent auditor and the Company and all non-audit work performed for the Company by the independent auditor.

11. Establish and review the Company's procedures for the:

- receipt, retention and treatment of complaints regarding accounting, financial disclosure, internal controls or auditing matters; and
- confidential, anonymous submission by employees regarding questionable accounting, auditing and financial reporting and disclosure matters.

12. Conduct or authorize investigations into any matters that the Committee believes is within the scope of its responsibilities. The Committee has the authority to retain independent counsel, accountants or other advisors to assist it, as it considers necessary, to carry out its duties, and to set and pay the compensation of such advisors at the expense of the Company.

13. Perform such other functions and exercise such other powers as are prescribed from time to time for the audit committee of a reporting company in Parts 2 and 4 of Multilateral Instrument 52-110 of the Canadian Securities Administrators and the articles of the Company

**Schedule "B"**
**Arrangement Resolution**

**BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:**

1. The arrangement (the "**Arrangement**") under section 288 of the *Business Corporations Act* (British Columbia) (the "**BCBCA**") involving XS Financial Inc. (the "**Company**"), as more particularly described and set forth in the management information circular dated August 2, 2024 (the "**Circular**") of the Company accompanying the notice of this meeting (as the Arrangement may be modified or amended in accordance with the terms of the Arrangement Agreement made as of June 24, 2024 between XS Acquisition Portfolio LLC and the Company (the "**Arrangement Agreement**")), is hereby authorized, approved and adopted.

2. The plan of arrangement (the "**Plan of Arrangement**") involving the Company, the full text of which is set out as Schedule "D" to the Circular (as the Plan of Arrangement may be modified or amended in accordance with its terms and the terms of the Arrangement Agreement), is hereby authorized, approved and adopted.

3. The (i) Arrangement Agreement, and all the transactions contemplated therein, (ii) the actions of the directors of the Company in approving the Arrangement Agreement and (iii) the actions of the directors and officers of the Company in executing and delivering the Arrangement Agreement and any amendments or modifications thereto in accordance with its terms are hereby ratified and approved.

4. The Company is hereby authorized to apply to the Supreme Court of British Columbia (the "**Court**") for a final order to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement (as they may be amended or modified in accordance with the terms of the Arrangement Agreement and the Plan of Arrangement).

5. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the securityholders of the Company or that the Arrangement has been approved by the Court, the directors of the Company are hereby authorized and empowered without further notice to or approval of the securityholders of the Company (i) to amend or modify the Arrangement Agreement or the Plan of Arrangement, to the extent permitted by the Arrangement Agreement and the Plan of Arrangement, and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.

6. The delisting of the subordinate voting shares of the Company from the Canadian Securities Exchange in connection with the Arrangement, is hereby authorized and approved.

7. Any one director or officer of the Company be and is hereby authorized and directed for and on behalf of the Company and to execute, under the corporate seal of the Company or otherwise, and to deliver for filing under the BCBCA all such documents as are necessary or desirable to give effect to the Arrangement and the Plan of Arrangement in accordance with the terms of the Arrangement Agreement, such determination to be conclusively evidenced by the execution and delivery of such documents.

8. Any one director or officer of the Company be and is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed, under the corporate seal of the Company or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**Schedule "C"**
**Fairness Opinion**

**[See attached]**


**Compass Point Research & Trading, LLC**

1055 Thomas Jefferson St, NW Suite 303

Washington, DC 20007

**June 24, 2024**

XS Financial Inc. Special Committee

1901 Avenue of the Stars Suite 120

Los Angeles, CA 90067

To the Special Committee:

Compass Point Research & Trading, LLC ("**Compass Point**", "**Compass"**, or "**we**" or "**us**") understands that XS Financial Inc. ("**XS"** or "**Company")** proposes to enter into an arrangement agreement to de dated June 24, 2024 (the "**Arrangement Agreement"**) with XS Acquisition Portfolio LLC, a US based affiliate of a US alternative asset fund operated by Axar Capital Management LP (the "**Acquiror**") contemplating, among other things, the acquisition by the Acquiror of all of the issued and outstanding proportionate voting shares ("**PV Shares**") and subordinate voting shares ("**SV Shares**" and collectively, on fully converted basis, the "**Shares**") of the Company and cancellation of all outstanding share purchase warrants ("**Warrants**") and stock options ("**Options**") of the Company, in consideration for the following (collectively, the "**Consideration**"): (i) a price equal to Cdn$0.05265 per SV Share; and (ii) Cdn$52.65 per PV Share payable in cash; and (ii) no consideration payable to the holders of the Warrants or Options, all to be effected pursuant to a plan of arrangement under the *Business Corporations Act* (British Columbia) (the "**Arrangement**"). The terms and conditions of the Arrangement will be summarized in the Company's management information circular (the "**Circular**") to be mailed to holders of Shares, Warrants and Options (collectively, the "**Security Holders**") in connection with a special meeting of the Security Holders to be held to consider and, if deemed advisable, approve the Arrangement.

We have been retained to provide financial advice to the Special Committee (the "**Special Committee"**) of the Board of Directors (the "**Board**") of the Company, including our opinion (the "**Opinion"**) to the Special Committee as to the fairness, from a financial point of view, of the Consideration to be received by the Security Holders (other than those Security Holders who are excluded from voting in respect of the Arrangement pursuant to Multilateral Instrument 61-101– *Protection of Minority Security Holders in Special Transaction*) pursuant to the Arrangement.

**ENGAGEMENT OF COMPASS POINT**.

The Company and Special Committee initially contacted Compass Point regarding a potential advisory assignment related to a transaction with the Acquiror in March 2024. Compass Point was formally engaged by the Special Committee pursuant to an engagement letter dated March 28, 2024 (the "**Engagement Agreement"**). The Engagement Agreement provides the terms upon which Compass Point has agreed to provide the Special Committee with various advisory services in connection with the Arrangement including, among other things, the Opinion.

Compass Point will receive a fixed fee for rendering the Opinion, whether or not the Arrangement is completed. Compass Point will also receive certain fixed fees for our advisory services under the Engagement Agreement, whether or not the Arrangement is completed. The Company has also agreed to reimburse us for reasonable out-of-pocket expenses and to indemnify, among others, Compass Point in respect of certain liabilities that might arise out of our engagement. The fees payable to Compass Point pursuant to the Engagement Agreement are not, in the

aggregate, financially material to Compass Point and do not give Compass Point any material financial incentive in respect of either the conclusions reached in the Opinion or the outcome of the Arrangement. Compass Point consents to the inclusion of the Opinion in its entirety and a summary thereof in the Circular, and to the filing thereof, as necessary, by the Company with the securities commissions or similar regulatory authorities in certain of the provinces and territories of Canada.

## CREDENTIALS OF COMPASS POINT

Compass Point Research & Trading is an independent North American investment banking firm that offers an integrated platform of capital raising, M&A advisory, equity research, institutional sales and trading. Compass Point has been a financial advisor in a significant number of transactions and is regularly engaged in providing financial advice to public and private companies across a variety of sectors and has experience preparing fairness opinions.

## RELATIONSHIP WITH INTERESTED PARTIES

Neither Compass Point nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (British Columbia) (the "**Securities Act**") or the rules made thereunder) of the Company or Acquiror or any of their respective associates or affiliates (collectively, the "**Interested Parties**").

Neither Compass Point nor any of its affiliates has been engaged to provide financial advisory services, nor has it participated in any financings involving the Interested Parties within the past two years, other than:

i) acting as financial advisor to the Special Committee pursuant to the Engagement Agreement;
ii) acting as financial advisor to the Company in evaluating strategic alternatives in November 2023;
iii) acting as financial advisor to the Company in restructuring debt in July 2021; and
iv) acting as financial advisor to a special committee of the Company in evaluating a potential merger in November 2022.

Compass Point acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have and may in the future have positions in the securities of any Interested Party, and, from time to time, may have executed or may execute transactions on behalf of any Interested Party or other clients for which it may have received or may receive compensation. As an investment dealer, Compass Point conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to one or more Interested Parties or the Arrangement.

Other than as set forth above, there are no understandings, agreements or commitments between Compass Point and the Interested Parties with respect to future business dealings. Compass Point may, in the future, in the ordinary course of its business, perform financial advisory, investment banking or other financial services to one or more of the Interested Parties from time to time.

## OVERVIEW OF XS Financial

XS is an industry leading CapEx financing partner to the legal North American cannabis industry. XS offers non-dilutive, fixed-rate, fully-amortizing leases to operators, for essential-use equipment within the legal cannabis cultivation, processing, packaging, testing and retailing verticals. The Company ended March 2024 with **US**$80.3M of assets on balance sheet, US$166K of cash and combined debt of US$70.2M,

## SCOPE OF REVIEW

In connection with the Opinion, Compass Point reviewed, analyzed, considered and relied upon (without attempting to independently verify the completeness or accuracy thereof) or carried out, among other things, the following:

1. A draft of the Arrangement Agreement (including the accompanying disclosure letter) and other ancillary agreements dated June 23, 2024

2. Certain publicly available information related to the business, operations, financial conditions and trading history of the Company and other selected publicly available information Compass Point considered relevant;

3. Internal forecasts, projections, estimates and budgets prepared or provided by or on behalf of the management of the Company;

4. Other internal financial, operating, corporate, and other information concerning the Company and its subsidiaries, that was prepared and provided by management of the Company;

5. Discussions with management of the Company regarding the Company's past and current business plan, operations and financial conditions and prospects;

6. Select publicly available financial information and statistics regarding precedent transactions and publicly traded companies we considered relevant;

7. Various reports published by equity research analysts and industry sources we considered relevant; and

8. Such other information, investigations, analysis and discussion as we considered necessary or appropriate in the circumstances.

In addition, we have participated in discussions with members of the senior management team of the Company regarding business operations, the financial condition and future prospects of the Company. We have also participated in discussions with Fogler, Rubinoff LLP, external legal counsel to the Company, concerning the Arrangement, the Arrangement Agreement and related matters. Compass Point has not, to the best of its knowledge, been denied access by the Company to any information under the Company's control requested by Compass Point.

## PRIOR VALUATIONS

The Company has represented to Compass Point that there were no prior valuations (as that term is defined in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transaction*) or appraisals of the Company, its material assets or the assets or securities that are relevant to the Arrangement prepared by or for or available to the Company or its management team within two years preceding the date hereof.

## ASSUMPTIONS AND LIMITATIONS

Our Opinion is subject to the assumptions, qualifications and limitations set forth herein.

With XS's permission, we have relied upon the accuracy, completeness and fair presentation of all information, data, representations, opinions, financial statements, management discussion and analysis, internal financial information, and other materials obtained by us or on behalf of the Company or otherwise obtained by us in connection with our engagement (collectively, the "**Information**"). The Opinion is conditional upon such accuracy, completeness, and fair presentation. We have not been requested to or attempted to verify independently the accuracy, completeness or fairness of presentation of any such Information, data, advice, opinions and representations. We have not met separately with the independent auditors of the Company in connection with preparing this Opinion. We have assumed that forecasts, projections, estimates and budgets provided to us and used in our analysis were reasonably prepared on bases reflecting the best currently available assumptions, estimates and judgments of management of the Company, having regard to the Company's business, plans, financial condition and prospects.

Senior officers of the Company have represented to Compass Point in a certificate dated the date hereof, among other things, that: (i) the Information provided to Compass Point orally or in writing by or on behalf of the Company relevant to the subject matter of the Arrangement or the Opinion was true, accurate, complete and correct in all material respects at the date the Information was provided to Compass Point and is as of the date hereof and, with respect to the financial statements, was prepared in accordance with International Financial Reporting Standards (except as to the absence of full note disclosure in non-audited financial statements); (ii) the Information did not and as of the date hereof does not contain any untrue statement of a material fact (as such term is defined in the Securities Act) in respect of or involving the Company, the Company's assets or the Arrangement; (iii) the Information did not and as of the date hereof does not omit to state a material fact in respect of the Company, its assets or the Arrangement necessary to make the Information (or any statement therein) not misleading in light of the circumstances under which the Information was made or provided; and (iv) since the date(s) that the Information was provided to Compass Point and as of the date thereof, there has been no material change (as such term is defined in the Securities Act) financial or otherwise, in or relating to the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company and there has been no change in any material fact or new material fact which is of a nature so as to render the Information untrue or misleading in any material respect, or which would reasonably be expected to have a material effect on the Opinion.

In preparing the Opinion, Compass Point has made several assumptions, including that all final or executed versions of documents will conform in all material respects to the drafts provided to Compass Point, all conditions precedent to be satisfied to complete the Arrangement can and will be satisfied or waived, that all approvals, authorizations, consents, permissions, exemptions or orders of relevant regulatory authorities required in respect of or in connection

with the Arrangement will be obtained, without adverse condition or qualification, that all steps or procedures being followed to implement the Arrangement are valid and effective.

The Opinion has been provided for the exclusive use of the Special Committee in considering the Arrangement and is not intended to be, and does not constitute, a recommendation to the Special Committee as to whether they should approve the Arrangement Agreement nor as to how any Security Holder should vote its securities or act on any matter relating to the Arrangement, and we express no opinion as whether holders of convertible securities should exercise any conversion or other rights.

The Opinion must not be used by any other person (including, without limitation, securityholders, creditors or other constituencies of the Company) or relied upon by any person, other than the Special Committee without the express prior written consent of Compass Point. The Opinion does not address the relative merits of the Arrangement as compared to other strategic alternatives that might be available to the Company. Except for the inclusion of the Opinion in the Circular and filing of the Opinion with the applicable regulatory authorities as may be required, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent.

The Opinion is rendered on the basis of securities markets, economic and general business and financial conditions prevailing on the date hereof and the condition and prospects, financial and otherwise, of the Company and its subsidiaries as they were reflected in the Information provided to Compass Point. In our analysis and in preparing the Opinion, Compass Point made numerous judgments and assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond our control or that of any party involved in the Arrangement.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of the Company or of any of its affiliates or any of their respective securities or assets, and the Opinion should not be construed as such (within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transaction*). Compass Point has not undertaken an independent evaluation, appraisal or physical inspection of any assets or liabilities of the Company or its subsidiaries, is not an expert on, and did not render advice to the Company regarding, and assumes no and disclaims all liability and obligation in respect of, legal, accounting, regulatory or tax matters.

The Opinion is given as of the date hereof and, although Compass Point reserves the right to change or withdraw the Opinion if we learn that any of the information that we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, we disclaim any obligation to change or withdraw the Opinion, to advise any person of any change that may come to our attention or to update the Opinion after the date hereof.

Compass Point believes that its analyses must be considered as a whole and that selecting portions of the analyses, or the factors considered by it, without considering all factors and analyses together, could create an incomplete view of the process underlying the Opinion. Accordingly, the Opinion should be read in its entirety.

## APPROACH TO FINANCIAL FAIRNESS

In considering the fairness of the Consideration under the Arrangement Agreement from a financial point of view to the Security Holders (other than those Security Holders who are excluded from voting in respect of the Arrangement pursuant to Multilateral Instrument 61-101– *Protection of Minority Security Holders in Special Transaction*), Compass Point performed certain value analyses on the Company, based on the methodologies and assumptions that Compass Point considered appropriate in the circumstances for the purposes of its Opinion including, but not limited to, the following principal methodologies:

(i) Selected Comparable Trading Approach;
(ii) Precedent Transaction Approach; and
(iii) Net Present Value.
(iv) Reviewed intrinsic value of warrants and options

*Selected Comparable Trading Approach*

Compass Point calculated a range of implied values of the Shares based on an analysis of comparable companies that Compass Point believed to be generally comparable to the Company. For this approach, Compass Point considered a number of valuation metrics, which included price to estimated next twelve months ("**NTM**") earnings multiples and well as price to tangible book value multiples. Compass Point relied on its professional judgement to exclude select multiples it deemed outliers. The multiple ranges selected were 7.1x-8.5x 2024 earnings and 0.86x-1.05x most recent quarter tangible book value. Based on the foregoing, the analysis yielded a range of approximately C$0.035 to C$0.043 for each Share.

*Precedent Transaction Approach*

Compass Point also compared the financial terms of the Arrangement to certain financial terms of other completed transactions in the North American non-bank finance and specialty finance industries, that Compass Point considered relevant, and for which certain financial metrics were publicly available, or could be derived based on publicly available information. Based on Compass Point's professional judgment, NTM Price/Earnings and Price/Book Value metrics were selected as having the most importance, and the multiple range selected was 5.7x-14.2x 2024 earnings and 0.9x-1.4x Book Value. Based on the foregoing, the analysis yielded a range of approximately C$0.033 to C$0.063 for each Share.

*Net Present Value Approach*

The Net Present Value approach (the "**NPV**") utilized by Compass Point, is a present value calculation of distributable free cash flow ("**FCF**") expectations of the Company, to be generated between June 2024 and June 2027, as well as present value calculations for a terminal value. Compass Point reviewed historical and projected financial information and analyses provided by management of the Company to determine the FCF projections for the applicable calendar years. The NPV approach required that certain assumptions were made, including an estimated discount rate, which was calculated in the range of 10-14% based on the Company's estimated cost of equity. Compass Point additionally assumes in the NPV analysis that the Company will not have access to capital to satisfy certain liabilities and grow the business and therefore ceases originations and winds down the portfolio. To calculate a range of implied values for the Company's Shares, Compass Point calculated a discounted terminal value. Also, as part of the NPV approach, Compass Point performed a range of sensitivity analysis on a variety of factors including, but not limited to, discount rates and exit timing. Based on the foregoing, the analysis yielded a range of approximately C$0.022 to C$0.036 for each Share.

*Other Factors Considered*

Compass Point also considered a number of other factors in connection with the Opinion, including, but not limited to, the following:

(i) Historical trading ranges of the Company's SV Shares on the Canadian Securities Exchange during the 90-day period ending June 13, 2024;
(ii) Capital structure and liquidity options to repay the senior debt of the Company;
(iii) The value of the Alcon Silver Corp. ("Alcon") shares currently held by the Company and royalty rights and contingent rights to receive additional Alcon shares;
(iv) All warrants and options had zero intrinsic value due to strike price being higher than the Consideration
(v) Current market conditions and capital raising activity to date; and
(vi) All other factors or analyses that were relevant based on Compass Point Research & Trading's professional judgement.

**CONCLUSION**

Based upon and subject to the foregoing and such other matters that Compass Point considered relevant, Compass Point is of the opinion that, as of the date hereof, the Consideration to be received by the Security Holders pursuant to the Arrangement is fair, from a financial point of view, to the Security Holders (other than those Security Holders who are excluded from voting in respect of the Arrangement pursuant to Multilateral Instrument 61-101– *Protection of Minority Security Holders in Special Transaction*).

The opinion expressed herein are provided for the information and assistance of the Special Committee of the Company in connection with its consideration of the Transaction and such opinion does not constitute a recommendation as to how any holder of Shares should vote with respect to such Transaction or any other matter. The issuance of this opinion has been approved by a fairness opinion committee of Compass Point Research & Trading, LLC.

Respectfully submitted,

Compass Point Research & Trading

Compass Point Research & Trading, LLC

**Schedule "D"**
**Plan of Arrangement**

PLAN OF ARRANGEMENT UNDER SECTION 288 OF
THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)

## ARTICLE 1
## DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Arrangement Agreement and the following terms will have the respective meanings set forth below:

"**Arrangement Agreement**" means the arrangement agreement dated as of June 24, 2024 between XS and Purchaser, to which this Plan of Arrangement is attached as Schedule A, as it may be supplemented or amended from time to time;

"**Dissent Rights**" means the rights of dissent granted in favour of registered XS Shareholders as of the record date of the XS Meeting under Division 2 of Part 8 of the BCBCA with respect to all (but not less than all) of such XS Shareholder's XS Shares in respect of the Arrangement Resolution, all as modified by this Plan of Arrangement, the Interim Order and the Final Order;

"**Dissent Shares**" means XS Shares held by a Dissenting Shareholder and in respect of which the Dissenting Shareholder has validly exercised Dissent Rights;

"**Dissenting Shareholder**" means an XS Shareholder which has exercised Dissent Rights;

"**Letter of Transmittal**" means the letter of transmittal to be delivered by XS to the registered holders of XS Shares providing for delivery of the certificates representing their XS Shares to the Depositary;

"**Plan of Arrangement**" means, and similar expressions mean, this plan of arrangement, including the appendices hereto, and any amendments, variations or supplements hereto made in accordance with the terms hereof, the Arrangement Agreement or made at the direction of the Court in the Final Order;

"**Purchaser**" means XS Acquisition Portfolio LLC, a limited liability company formed under the laws of Delaware.

"**Transfer Agent**" means Odyssey Trust Company.

"**XS**" means XS Financial Inc., a company existing under the laws of British Columbia; and

"**U.S. Tax Code**" means the United States Internal Revenue Code of 1986, as amended.

### 1.2 Headings and References

The division of this Plan of Arrangement into Articles and sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Plan of Arrangement. Unless otherwise specified, references to sections are to sections of this Plan of Arrangement.

### 1.3 Number, etc.

Unless the context otherwise requires, words importing the singular number only shall include the plural and vice versa; words importing the use of any gender shall include all genders; and words importing persons shall include firms and corporations and

vice versa.

1.4 **Date of Any Action**

In the event that any date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

1.5 **Time of the Essence**

Time shall be of the essence with respect to this Agreement.

1.6 **Statutory References**

Unless otherwise stated, any reference in this Agreement to a statute includes all regulations and rules made thereunder, all amendments to such statute or regulation in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation.

## ARTICLE 2
## THE ARRANGEMENT

2.1 **Effectiveness**

This Plan of Arrangement is made pursuant to, is subject to the provisions of, and forms part of the Arrangement Agreement.

2.2 **Binding Effect**

At the Effective Time, this Plan of Arrangement and the Arrangement shall without any further authorization, act or formality on the part of any Person (including the Court) become effective and be binding upon the Parties, the Depositary, the Transfer Agent, all registered and beneficial XS Shareholders, including Dissenting Shareholders, all holders of XS Options and XS Warrants, and all other Persons.

2.3 **The Arrangement**

On the Effective Date, the events and transactions set out in Subsections (a) to (e), inclusive, will occur and be deemed to occur, unless otherwise provided, in the order set out below, without any further act or formality on the part of any Person, commencing at the Effective Time and with each event or transaction occurring and being deemed to occur immediately after the occurrence of the immediately preceding event or transaction, and the exchanges, cancellations and steps provided for in this Section 2.3 shall be deemed to occur on the Effective Date notwithstanding that certain of the procedures related thereto are not completed until after the Effective Date:

(a) each XS Option outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms or conditions of either of the XS Option Plans, shall, without any further action by or on behalf of any Person (including any XS Optionholder), immediately be cancelled and, for greater certainty, neither any Party nor the Depositary shall be obligated to pay any XS Optionholder any amount in respect of such XS Option so cancelled;

(b) each XS Warrant outstanding immediately prior to the Effective Time, notwithstanding the terms or conditions of any certificate, indenture or other Contract governing such XS Warrant, shall, without any further action by or on behalf of any Person (including any XS Warrantholder), immediately be cancelled and, for greater certainty, neither any Party nor the Depositary shall be obligated to pay any XS Warrantholder any amount in respect of such XS Warrant so cancelled;

(c) (i) the name of each XS Optionholder or XS Warrantholder, as the case may be, shall be removed from each applicable register maintained by XS; and (ii) the XS Option Plans and all certificates, indentures and other Contracts relating to the XS Options and the XS Warrants shall be terminated and shall be of no further force and effect;

(d) each of the XS Shares held by Dissenting Shareholders in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred without any further act or formality on the part of any Person (including any XS Shareholder) to Purchaser (free and clear of all Encumbrances), and:

(i) such Dissenting Shareholders shall cease to be the holders of such XS Shares and shall cease to have any rights as holders of such XS Shares other than the right to be paid fair value for such XS Shares as set out in Article 3;

(ii) such Dissenting Shareholders' names shall be removed as the holders of such XS Shares from the central securities registers of XS Shares maintained by or on behalf of XS; and

(iii) Purchaser shall be deemed to be the transferee of such XS Shares free and clear of all Encumbrances, and Purchaser shall be entered in the central securities registers of XS Shares maintained by or on behalf of XS as the holder of such XS Shares; and

(e) concurrently with the step in Section 2.3(d), each XS Share outstanding immediately prior to the Effective Time (other than XS Shares held by a Dissenting Shareholder who has validly exercised their Dissent Right, or held by Purchaser or any of its affiliates) shall, without any further action by or on behalf of any Person (including any XS Shareholder), be deemed to be assigned and transferred by the holder thereof to Purchaser (free and clear of all Encumbrances) in exchange for the Purchase Price for each XS Share held, and:

(i) the holders of such XS Shares shall cease to be the holders thereof and to have any rights as holders of such XS Shares other than the right to be paid the amount of the Purchase Price payable for all such XS Shares held by such XS Shareholders pursuant to the terms of the Arrangement Agreement;

(ii) such XS Shareholders' names shall be removed from the central securities registers of the XS Shares maintained by or on behalf of XS; and

(iii) Purchaser shall be deemed to be the transferee of such XS Shares (free and clear of all Encumbrances) and Purchaser shall be entered in the central securities registers of the XS Shares maintained by or on behalf of XS.

2.4 **Supplementary Actions**

Notwithstanding that the transactions and events set out in Section 2.3 shall occur and shall be deemed to occur in the chronological order therein set out without any act or formality, each of the Parties shall be required to make, do and execute or cause and procure to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required to give effect to, or further document or evidence, any of the transactions or events set out in Section 2.3, including, without limitation, any resolutions of directors authorizing the transfer or redemption of shares, any share transfer powers evidencing the transfer of shares and any receipt therefor, and any necessary additions to or deletions from share registers.

2.5 **Withholding Rights**

Any Person shall be entitled to deduct or withhold from any consideration payable in respect of XS Shares pursuant to Section 2.3(e) or amount otherwise payable to any other Person hereunder such amounts as such Person is required or reasonably believes is required or permitted to deduct or withhold with respect to such payment under the Tax Act, the U.S. Tax Code or any provision of provincial, state, local or foreign Tax Law, in each case as amended. To the extent that amounts are so deducted or withheld, such deducted or withheld amounts shall be treated for all purposes under this Plan of Arrangement as having been paid to the

Person in respect of which such deduction or withholding was made, provided that such deducted or withheld amounts are actually remitted to the appropriate taxing authority.

## ARTICLE 3
## DISSENT RIGHTS

3.1 **Dissent Rights**

(a) In connection with the Arrangement, each registered XS Shareholder as of the record date of the XS Meeting may exercise Dissent Rights with respect to all (but not less than all) of the XS Shares held by such XS Shareholder pursuant to and in the manner set forth in sections 237 to 247 of the BCBCA, as modified by the Interim Order, the Final Order and this Article 3; provided that, notwithstanding section 242(1)(a) of the BCBCA, the written objection to the Arrangement Resolution referred to in section 242(1)(a) of the BCBCA must be received by XS not later than 4:00 p.m. (Vancouver time) two Business Days immediately preceding the date of the XS Meeting.

XS Shareholders who duly and properly exercise Dissent Rights and who:

(i) are ultimately entitled to be paid by Purchaser fair value for their Dissent Shares (1) shall be deemed to not to have participated in the transactions in Article 2 (other than Section 2.3(d)); (2) shall be deemed to have transferred and assigned such Dissent Shares (free and clear of any Encumbrances) to Purchaser in accordance with Section 2.3(d); (3) will be entitled to be paid the fair value of such Dissent Shares by Purchaser, which fair value, notwithstanding anything to the contrary contained in the BCBCA, shall be determined as of the close of business on the day before the Arrangement Resolution was adopted at the XS Meeting; and (4) will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holders not exercised their Dissent Rights in respect of such XS Shares; or

(ii) are ultimately not entitled, for any reason, to be paid by Purchaser fair value for their Dissent Shares, shall be deemed to have participated in the Arrangement in respect of those XS Shares on the same basis as an XS Shareholder who has not exercised Dissent Rights and transferred the XS Shares held by such XS Shareholder to Purchaser as set out in Section 2.3(e); and shall be entitled to only the consideration payable for the XS Shares held by such XS Shareholder pursuant to section 2.3(e) that such XS Shareholder would have received pursuant to the Arrangement if such XS Shareholder had not exercised Dissent Rights.

(b) In no circumstances shall any Party, the Depositary, the Transfer Agent or any other Person be required to recognize a Dissenting Shareholder unless such Person (i) is the registered holder of those XS Shares in respect of which such rights are sought to be exercised, and (ii) has strictly complied with the procedures for exercising Dissent Rights and does not withdraw such dissent prior to the Effective Time.

(c) In no event shall any Party, the Depositary, the Transfer Agent or any other Person be required to recognize a Dissenting Shareholder as a registered or beneficial holder of XS Shares or as having any interest therein (other than the rights set out in this Section 3.1) at or after the Effective Time, and at the Effective Time the names of such Dissenting Shareholders shall be removed from the central securities registers of XS as at the Effective Time.

(d) For greater certainty, (i) no Person shall be entitled to Dissent Rights in respect of such Person's XS Options or XS Warrants; and (ii) in addition to any other restrictions in the Interim Order, no Person shall be entitled to exercise Dissent Rights with respect to XS Shares in respect of which a Person has voted or has instructed a proxyholder to vote such XS Shares in favour of the Arrangement Resolution.

## ARTICLE 4
## CERTIFICATES AND PAYMENTS

4.1 **Certificates and Payments**

(a) Following receipt of the Final Order, on or immediately prior to the Effective Date, Purchaser shall deliver or cause to be delivered to the Depositary sufficient funds to satisfy the aggregate consideration payable to former XS Shareholders in accordance with Section 2.3(e), which funds shall be held by the Depositary in escrow as agent and nominee for such former XS Shareholders for distribution thereto in accordance with the provisions of this Article 4.

(b) The Depositary shall deliver the aggregate Purchase Price payable pursuant to the terms of the Arrangement Agreement in respect of those XS Shares that were transferred or deemed to be transferred pursuant to Section 2.3(e) and that were held on a book-entry basis at the time they were transferred or deemed to be transferred, less any amounts withheld pursuant to Section 2.5, in accordance with normal industry practice for payments relating to securities held on a book-entry only basis. With respect to those XS Shares not held on a book-entry basis, upon surrender to the Depositary for cancellation of a certificate, if applicable, which immediately prior to the Effective Time represented outstanding XS Shares that were transferred pursuant to Section 2.3(e), together with a duly completed and executed Letter of Transmittal and any such additional documents and instruments as the Depositary may reasonably require, the registered holder of the XS Shares represented by such surrendered certificate shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such XS Shareholder, as soon as practicable, the aggregate Purchase Price that such XS Shareholder is entitled to receive pursuant to Section 2.3(e) and the Arrangement Agreement in respect of such XS Shares, less any amounts withheld pursuant to Section 2.5, and any certificate so surrendered shall forthwith be cancelled.

(c) After the Effective Time and until surrendered for cancellation as contemplated by Section 4.1(b), each certificate that immediately prior to the Effective Time represented one or more XS Shares (other than XS Shares held by Purchaser or its affiliates, and other than any Dissent Shares which are subject to the procedures set forth in Section 3.1(a)(i)) shall be deemed at all times to represent only the right to receive from the Depositary in exchange therefor the consideration that the holder of such certificate is entitled to receive in accordance with Section 2.3, less any amounts withheld pursuant to Section 2.5.

(d) No holder of XS Shares shall be entitled to receive any consideration with respect to such XS Shares other than any payment to which such holder is entitled to receive in accordance with Section 2.3(e) and, for greater certainty, no such holder will be entitled to receive any interest, dividends, premium or other payment in connection therewith.

4.2 **Lost Certificates**

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding XS Shares that were transferred pursuant to Section 2.3(e) shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the XS Shareholder claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, the consideration such XS Shareholder is entitled to receive pursuant to Section 2.3(e) deliverable in accordance with such holder's duly completed and executed Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the XS Shareholder to whom such cash is to be delivered shall as a condition precedent to the delivery of such consideration, give a bond satisfactory to Purchaser and the Depositary (acting reasonably) in such sum as Purchaser may direct, or otherwise indemnify the Parties in a manner satisfactory to the Parties, each acting reasonably, against any claim that may be made against the Parties with respect to the certificate alleged to have been lost, stolen or destroyed.

4.3 **Limitation and Proscription**

To the extent that a former XS Shareholder shall not have complied with the provisions of Section 4.1 or Section 4.2 on or before the date that is three years less a day after the Effective Date (the "**final proscription date**"), then (a) the consideration that such former XS Shareholder was entitled to receive pursuant to Section 2.3(e) shall cease to represent a right or claim of any kind or nature and the right of the holder to receive the applicable consideration for the XS Shares pursuant to this Plan of Arrangement shall terminate and be deemed to be surrendered and forfeited to Purchaser, for no consideration, (b) the consideration that such former XS Shareholder was entitled to receive pursuant to Section 2.3(e) shall be delivered to Purchaser by the Depositary, (c) the certificates formerly representing XS Shares shall cease to represent a right or claim of any kind or nature as of such final proscription date, and (d) any payment made by way of cheque by the Depositary pursuant to this Plan of Arrangement that has not been deposited or has been returned to the Depositary or that otherwise remains unclaimed, in each case, on or before the final proscription date shall cease to represent a right or claim of any kind or nature.

4.4 **No Encumbrances**

Any exchange or transfer of XS Shares pursuant to this Plan of Arrangement shall be free and clear of any Encumbrances or other claims of third parties of any kind.

4.5 **Paramountcy**

From and after the Effective Time: (a) this Plan of Arrangement shall take precedence and priority over any and all XS Shares, XS Options and XS Warrants issued prior to the Effective Time; (b) the rights and obligations of the registered holders of XS Shares (other than Purchaser or its affiliates), XS Options and XS Warrants, and of the Parties, the Depositary, the Transfer Agent and any transfer agent or other depositary in relation thereto, shall be solely as provided for in this Plan of Arrangement and the Arrangement Agreement; and (c) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any XS Shares, XS Options and XS Warrants shall be deemed to have been settled, compromised, released and determined without liability except as set forth herein.

## ARTICLE 5
## AMENDMENTS

5.1 **Amendments**

(a) The Plan of Arrangement may be amended at any time and from time to time before or after the holding of the XS Meeting but not later than the Effective Time; provided that any such amendment (i) is in writing and is agreed to in writing by the Parties; (ii) if required, is filed with the Court; and (iii) if made following the XS Meeting, is approved by the Court and, if and as required by the Court, is communicated to XS Shareholders, XS Optionholders and XS Warrantholders and/or consented to by XS Shareholders, XS Optionholders and XS Warrantholders, as applicable.

(b) Any such amendment may, subject to the Interim Order and the Final Order and applicable Law, without limitation:

(i) change the time for performance of any of the obligations or acts of the Parties;

(ii) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant to the Arrangement Agreement;

(iii) waive compliance with or modify any of the covenants contained in the Arrangement Agreement or waive or modify performance of any of the obligations of the Parties; and/or

(iv) waive compliance with or modify any mutual conditions precedent contained in the Arrangement Agreement.

(c) Any amendment, modification or supplement to this Plan of Arrangement made before the XS Meeting in accordance with this Section 5.1 may be made with or without any other prior notice or communication and, if accepted by the Persons voting at the XS Meeting (other than as may be required under the Interim Order), shall become part of this Agreement and the Plan of Arrangement for all purposes.

(d) Notwithstanding the foregoing provisions of this Section 5.1, any amendment, modification or supplement to this Plan of Arrangement may be made by any of the Parties without approval of the XS Shareholders or any other securityholders of XS or any of the Parties provided that it concerns a matter which, in the reasonable opinion of the Parties is of an administrative or ministerial nature required to better give effect to the implementation of this Plan of Arrangement and is not materially adverse to the financial or economic interests of any of the Parties or the XS securityholders.

(e) This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the Arrangement Agreement.

5.2 **Further Assurances**

(a) Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur at the time and in the manner set out in this Plan of Arrangement without any further act or formality, the Parties shall make, do and execute, or cause to be made, done or executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.

**Schedule "E"**
**Interim Order and Notice of Hearing on Petition**

**[See attached]**

No. S245240
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF SECTION 288 OF THE
*BUSINESS CORPORATIONS ACT*, S.B.C. 2002, C. 57, AS AMENDED

AND

**IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
XS FINANCIAL INC. AND
XS ACQUISITION PORTFOLIO LLC**

**XS FINANCIAL INC.**

PETITIONER

# ORDER MADE AFTER APPLICATION

BEFORE ASSOCIATE JUSTICE BILAWICH ) August 7, 2024

ON THE APPLICATION of the Petitioner, XS Financial Inc. ("**XS**" or the "**Company**") for an Interim Order pursuant to section 291 of the *Business Corporations Act*, S.B.C. 2002, c. 57, as amended, in connection with a proposed arrangement (the "**Arrangement**") with XS Acquisition Portfolio LLC ("**Purchaser**") to be effected on the terms and subject to the conditions set out in a Plan of Arrangement as defined in this Interim Order, without notice, and coming on for hearing at 800 Smithe Street, Vancouver, British Columbia on August 7, 2024, and on hearing Tevia Jeffries, counsel for XS, and on reading the material filed herein, including the Petition filed herein dated August 2, 2024, the Notice of Application filed herein dated August 2, 2024, Affidavit #1 of Laura Ferguson, made August 2, 2024 (the "**Ferguson Affidavit**"), and Affidavit #1 of Antony Radbod, made August 2, 2024:

**THIS COURT ORDERS THAT:**

**Definitions**

1. All capitalized terms used in this Interim Order, unless otherwise defined herein, shall have the respective meaning given to them in the Management Information Circular of XS to be dated as of August 2, 2024 (the "**Circular**"). A draft copy of

the Circular that is in substantially final form is attached as Exhibit "A" to the Ferguson Affidavit.

**The Meeting**

2. Pursuant to sections 186, 288, 290 and 291 of the *Business Corporations Act* (British Columbia) (the "**BCBCA**"), and notwithstanding if virtual-only meetings are permitted by the Articles of XS, the Petitioner is permitted to convene, hold and conduct an annual general and special meeting (the "**Meeting**") of the securityholders of XS (the "**Securityholders**") to be held in person at Farris LLP, 2500 – 700 West Georgia Street, Vancouver British Columbia, V7Y 1B3, 9:00 a.m. (Vancouver time) on September 9, 2024, or on such other date and time as may result from postponement or adjournment in accordance with this Interim Order and any further Order of this Court.

3. The Meeting will be held for the Securityholders to, *inter alia*, consider and, if deemed advisable, pass, with or without amendment, a special resolution (the "**Arrangement Resolution**"), in the form attached as Schedule "B" to the Circular, authorizing, approving and adopting in accordance with section 289(1)(a)(i) of the BCBCA a statutory plan of arrangement (the "**Arrangement**") under Division 5 of Part 9 of the BCBCA involving XS, Purchaser, and the Securityholders, as described in the plan of arrangement (the "**Plan of Arrangement**"), a copy of which is attached as Schedule "D" to the Circular.

4. At the Meeting, XS will also seek to transact such further or other business as may properly come before the Meeting or any adjournment or postponement thereof as detailed in the Circular.

5. The Meeting shall be called, held and conducted in accordance with the Notice of Annual General and Special Meeting of Securityholders (the "**Notice of Meeting**") to be delivered in substantially the form attached to and forming part of the Circular, and in accordance with the applicable provisions of the BCBCA, the Company's articles, applicable securities legislation and the Circular, all subject to the terms of this Interim Order, and any further order of this Court, and the rulings and directions of the Chair of the Meeting, such rulings and directions not to be inconsistent with this Interim Order.

**Record Date**

6. The record date for determination of the Securityholders – comprising holders of proportionate voting shares of the Company (the "**PV Shares**"), holders of subordinate voting shares of the Company (the "**SV Shares**", and together with PV Shares, the "**Shares**"), holders of stock options, and holders of share purchase warrants – entitled to notice of, to attend, and to vote at, the Meeting shall be the close of business (Vancouver time) on August 2, 2024, or such other date as may be agreed to by XS and Purchaser (the "**Record Date**"). The Record Date will not change in respect of any adjournment of postponement of the Meeting, unless XS

determines that it is advisable, and subject to the consent of Purchaser, acting reasonably.

**Notice of Meeting**

7. To effect notice of the Meeting, XS shall send, or cause to be sent, the Circular (including the Notice of Hearing of Petition and this Interim Order), the Notice of Meeting, the Plan of Arrangement, the Form of Proxy (as defined below) or the voting instruction form, as applicable, and the letter of transmittal, in substantially the same form attached as Exhibits "A", "B" and "C" to the Ferguson Affidavit, with such amendments and inclusions thereto as counsel for XS may advise are necessary or desirable, provided that such amendments and inclusions are not inconsistent with the terms of this Interim Order (the "**Meeting Materials**"), as follows:

   (a) to the registered Securityholders, at the close of business on the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting, by one or more of the following methods:

      (i) by pre-paid ordinary or first-class mail at the addresses of the registered Securityholders as they appear on the central securities register of XS as at the close of business on the Record Date and if no address is shown therein, then the last address of the person known to the Corporate Secretary of XS;

      (ii) by delivery, in person or by recognized courier service, to the address specified in (i) above; or

      (iii) by facsimile or electronic transmission (including email) to any Securityholder who has approved electronic delivery (including email);

   (b) to the non-registered holders of Securities by providing, in accordance with *National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators* ("**NI 54-101**"), the requisite number of copies of the Meeting Materials (including electronic copies thereof), as applicable, to intermediaries and registered nominees to facilitate the distribution of the Meeting Materials to the beneficial owners in accordance with NI 54-101; and

   (c) to the respective directors and auditors of XS, by delivery in person, by recognized courier service, by pre-paid ordinary or first-class mail or, by facsimile or electronic transmission (including email), at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting.

8. Good and sufficient notice of the Meeting for all purposes will be given by XS by the sending of the Meeting Materials in substantial compliance with paragraph 7 of this Interim Order. The Circular is hereby deemed to represent sufficient and adequate disclosure, including for the purpose of section 290(1)(a) of the BCBCA, and XS shall not be required to send to the Securityholders any other or additional statement pursuant to section 290(1)(a) of the BCBCA or otherwise.

9. Delivery of the Meeting Materials in substantial compliance with paragraph 7 of this Interim Order will constitute good and sufficient service or delivery of such Meeting Materials upon all persons who are entitled to receive the Meeting Materials pursuant to this Interim Order and no other form of service need be made and no other material, including the Petition and supporting Affidavits, need be served on such persons in respect of these proceedings except upon written request to the solicitors for XS at their addresses for delivery set out in the Petition.

10. Accidental failure or omission by XS to give notice of the Meeting or to distribute the Meeting Materials to any person entitled by this Interim Order to receive notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of XS, or the non-receipt of such notice shall, subject to further order of this Honourable Court, not constitute a breach of this Interim Order nor a defect in the calling of the Meeting, nor shall it invalidate any resolution passed or proceedings taken at the Meeting. If any such failure or omission is brought to the attention of XS, it shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

**Deemed Receipt of Meeting Materials**

11. The Meeting Materials will be deemed, for the purposes of this Interim Order, to have been received by the Securityholders:

    (a) In the case of mailing or personal courier delivery, pursuant to paragraphs 7(a)(i), 7(a)(ii) or 7(c), above, on that day (Saturdays, Sundays and holidays excepted) following the date of mailing or acceptance by the courier service, respectively;

    (b) In the case of delivery by facsimile or electronic transmission (including email), pursuant to paragraphs 7(a)(iii) or 7(c) above, on the day that it was transmitted; and

    (c) In the case of delivery to clearing agencies or intermediaries for onward distribution, pursuant to paragraph 7(b) above, the day following delivery to clearing agencies to intermediaries.

**Amendments to the Arrangement and Plan of Arrangement**

12. Subject to the terms and conditions of the Arrangement Agreement and Plan of Arrangement, after the date of this Interim Order and prior to the time of the Meeting, XS is authorized to make such amendments, modifications, revisions or

supplements to the Plan of Arrangement, in accordance with the terms of the Arrangement Agreement and the Plan of Arrangement, without any additional notice to the Securityholders, and the Arrangement Agreement and/or Plan of Arrangement as so amended, revised and supplemented shall be the Arrangement Agreement and/or Plan of Arrangement submitted to the Meeting, and the subject of the Arrangement Resolution.

13. If any amendments, revisions or supplements to the Arrangement Agreement or Plan of Arrangement as referred to in paragraph 12 above would, if disclosed, reasonably be expected to affect a Securityholders' decision to vote for or against the Arrangement Resolution, notice of such amendment, revision or supplement shall be distributed, subject to further order of this Court, by news release, newspaper advertisement, or by notice sent to Securityholders by one of the methods specified in paragraph 7 of this Interim Order, as determined to be the most appropriate method of communication by XS.

**Updating Meeting Materials**

14. Notice of any amendments, revisions, updates or supplements to any of the information provided in the Meeting Materials may be communicated, at any time prior to the Meeting, to the Securityholders by news release, newspaper advertisement, or by notice sent to the Securityholders by one of the methods specified in paragraph 7 of this Interim Order, as determined to be the most appropriate method of communication by XS.

**Chair of the Meeting**

15. The Chair of the Meeting shall be an officer or director of XS or such other person as may be appointed by the Securityholders for that purpose.

16. The Chair of the Meeting is at liberty to call on the assistance of legal counsel of XS at any time and from time to time, as the Chair of the Meeting may deem necessary or appropriate, during the Meeting.

17. The Chair of the Meeting shall be permitted to ask questions of, and demand the production of evidence, from the Securityholders or such other persons in attendance or represented at the Meeting, as he, she, they or it considers appropriate having regard to the orderly conduct of the Meeting, the authority of any person to vote at the Meeting, and the validity and propriety of the votes cast and the proxies submitted in respect of the Arrangement Resolution.

18. The Chair of the Meeting may, in the Chair's sole discretion, waive the deadline specified in the Form of Proxy for the deposit of proxies, provided that if the Chair waives the deadline, the Chair must accept all proxies deposited after this deadline.

19. The Chair or another representative of XS present at the Meeting shall, in due course after the Meeting, file with the Court an affidavit verifying the actions taken and the decisions reached at the Meeting with respect to the Arrangement.

**Permitted Attendees**

20. The only people entitled to attend the Meeting will be: (i) the Securityholders and their duly appointed proxyholders as of the Record Date; (ii) the officers, directors, and auditors of XS; (iii) the Company's legal and financial advisors; (iv) representatives of the Purchaser; and (v) other such persons as may be approved by the Chair of the Meeting.

**Adjournments and Postponements**

21. Notwithstanding the provisions of the BCBCA or the articles of XS, and subject to the terms of the Arrangement Agreement, XS, if it deems advisable, is specifically authorized to adjourn or postpone the Meeting for any reason on one or more occasions, subject to the terms of the Plan of Arrangement, without the necessity of first convening the Meeting, or first obtaining any vote of the Securityholders respecting the adjournment or postponement and without the need for approval of the Court. Notice of any such adjournments or postponements shall be given by such method and in the time that is reasonable in the circumstances, as XS may determine appropriate. This provision shall not limit the authority of the Chair of the Meeting in respect of adjournments and postponements.

**Quorum**

22. The quorum for the Meeting is as set out in the Company's constating documents, namely, two Shareholders present in person (or deemed to be present in person) or represented by proxy who hold, in the aggregate, at least 25% of the votes attached to the outstanding voting shares entitled to be voted at the Meeting.

**Voting**

23. The vote required to pass the Arrangement Resolution shall be the affirmative vote of at least:

    (a) two-thirds (66⅔%) of the votes cast on the Arrangement Resolution by the holders of PV Shares present in person or represented by proxy and entitled to vote at the Meeting on the basis of one thousand (1,000) votes per PV Share held;

    (b) two-thirds (66⅔%) of the votes cast on the Arrangement Resolution by the holders of SV Shares present in person or represented by proxy and entitled to vote at the Meeting on the basis of one (1) vote per SV Share held;

    (c) two-thirds (66⅔%) of the votes cast on the Arrangement Resolution by all Securityholders present in person or represented by proxy and entitled to

vote at the Meeting on the basis of (i) one (1) vote per SV Share, (ii) one thousand (1,000) votes per PV Share, (iii) one (1) vote per any Option exercisable to acquire an SV Share, (iv) one thousand (1,000) votes per any Option exercisable to acquire a PV Share, and (v) one (1) vote per any Warrant exercisable to acquire an SV Share, voting together as a single class;

(d) a majority of the votes cast by the holders of SV Shares present in person or represented by proxy at the Meeting, excluding for this purpose votes attached to SV Shares held directly or indirectly by Messrs. David Kivitz, Antony Radbod, and Justin Vuong; and

(e) a majority of the votes cast by the holders of PV Shares present in person or represented by proxy at the Meeting, excluding for this purpose votes attached to PV Shares held directly and indirectly by Messrs. David Kivitz, Antony Radbod, and Justin Vuong.

24. The only persons entitled to vote on the Arrangement Resolution, or such other business as may be properly brought before the Meeting, shall be the registered Securityholders who held Securities as of the Record Date and their valid proxyholders as described in the Circular and as determined by the Chair of the Meeting in consultation with the Scrutineer (as defined below) and legal counsel to XS. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated but which do not contain voting instructions on one or more resolutions (including the Arrangement Resolution) shall be voted in favour of such resolution (including the Arrangement Resolution).

**Scrutineer**

25. Representatives of the Company's registrar and transfer agent (or any agent thereof), the Odyssey Trust Company, are authorized to act as scrutineers for the Meeting (the "**Scrutineer**").

**Solicitation of Proxies**

26. XS is authorized to permit the Securityholders to vote by proxy using the form of proxy (the "**Form of Proxy**"), substantially in the form of the draft attached as Exhibit "B" to the Ferguson Affidavit, with such amendments, revisions or supplemental information as XS may determine are necessary or desirable. XS is authorized at its expense to solicit proxies, directly or through its officers, directors or employees, and through such agents or representatives, including proxy advisory firms, as they may retain for the purpose, by mail or such other forms of personal or electronic communication as it may determine.

27. The Chair of the Meeting may waive generally, in its discretion, the time limits set for the deposit or revocation of proxies, if XS considers it advisable to do so.

**Dissent Rights**

28. Each registered Shareholder will, as set out in the Plan of Arrangement, be permitted to exercise rights of dissent in respect of the Arrangement (the "**Dissent Rights**") under Division 2 of Part 8 of the BCBCA, as modified by the Plan of Arrangement and the terms of this Interim Order.

29. Registered Shareholders will be the only Shareholders entitled to exercise Dissent Rights. A beneficial holder of Shares registered in the name of a broker, custodian, trustee, nominee or other intermediary who wishes to dissent must make arrangements for the registered Shareholder to dissent on behalf of the beneficial holder of Shares or, alternatively, make arrangements to become a registered Shareholder.

30. In order for a registered Shareholder to exercise Dissent Rights:

    (a) a dissenting XS shareholder must deliver a written notice of dissent which must be received by XS Financial Inc., c/o Farris LLP, P.O. Box 10026, Pacific Centre South, 25th Floor, 700 W Georgia Street, Vancouver, British Columbia, V7Y 1B3, Attention: Tevia R.M. Jeffries and Peter Roth, not later than 5:00 p.m. (Vancouver time) on September 5, 2024, or two (2) business days immediately preceding the date of the Meeting, or any adjournment or postponement thereof;

    (b) a dissenting Shareholder must not have voted their Shares at the Meeting, either by proxy or in person, in favour of the Arrangement Resolution;

    (c) a vote against the Arrangement Resolution or not voting on the Arrangement Resolution does not constitute a written notice of dissent under section 242 of the BCBCA.

    (d) a dissenting Shareholder must dissent with respect to all of the Shares held by such person; and

    (e) the exercise of Dissent Rights must otherwise comply with the requirements of section 237 to 247 of the BCBCA, as modified by the Plan of Arrangement, this Interim Order and the Final Order (as defined below).

31. Subject to further order of this Court, the rights available to the Shareholders under the BCBCA and the Plan of Arrangement to dissent from the Arrangement will constitute full and sufficient Dissent Rights for the Shareholders with respect to the Arrangement.

32. Notice to the Shareholders of their Dissent Rights with respect to the Arrangement Resolution and to receive, subject to the provisions of the BCBCA and the Plan of Arrangement, the fair value of their shares of XS, will be given by including information with respect to the Dissent Rights in the Circular to be sent to Shareholders in accordance with the terms of this Interim Order.

33. Registered Shareholders who duly exercise Dissent Rights and who:

(a) are ultimately entitled to be paid the fair value of their Dissent Shares: (i) will be entitled to be paid the fair value of such Dissent Shares by XS, which fair value, notwithstanding anything to the contrary contained in the BCBCA, shall be the fair value of such Dissent Shares determined, to the extent available, immediately before the passing of the Arrangement Resolution; (ii) shall be deemed not to have participated in the transactions in Article 2 (other than Section 2.3(d)) of the Plan of Arrangement; (iii) shall be deemed to have surrendered such Dissent Shares to the Purchaser, in accordance with Section 2.3(d) of the Plan of Arrangement; and (iv) will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holders not exercised their Dissent Rights in respect of such Shares; and

(b) are ultimately not entitled, for any reason, to be paid fair value for their Shares, shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting registered holder of Shares, and shall be entitled to receive only the Purchase Price pursuant to section 2.3(e) of the Plan of Arrangement that such holder would have received pursuant to the Arrangement if such holder had not exercised Dissent Rights.

34. In no circumstance shall Purchaser, XS, or any other Person be required to recognize holders of Shares who exercise Dissent Rights as holders of Shares after the time that is immediately prior to the Effective Time, and the names of the Dissenting Shareholders shall be deleted from the central securities register as holders of Shares as at the Effective Time.

35. For greater certainty, no holder of Options or Warrants shall be entitled to Dissent Rights in respect of such holder's Options or Warrants.

**Application for Final Order**

36. Upon approval, with or without variation, by the Securityholders of the Arrangement Resolution, in the manner set forth in this Interim Order, XS may set the Petition down for hearing and apply to this Court for, *inter alia,* a final order: (i) approving the Arrangement contemplated by the Plan of Arrangement pursuant to section 291(4)(a) and section 295 of the BCBCA; and (ii) determining that the Arrangement is procedurally and substantively fair and reasonable pursuant to section 291(4)(c) of the BCBCA (collectively, the "**Final Order**"), at the Courthouse at 800 Smithe Street, Vancouver, British Columbia, on September 11, 2024, at 9:45 a.m., or as soon thereafter as the hearing of the Final Order can be heard, or at such other date and time as this Court may direct.

37. The form of Notice of Hearing of Petition attached as Appendix "C" to the Circular is hereby approved as the form of Notice of Proceedings for such approval.

38. Any Securityholder, or other interested party, has the right to appear (either in person or by counsel) and make submissions at the application for the Final Order provided that such person shall file with this Court and deliver a copy of the filed Response to Petition together with a copy of all affidavits or other materials upon which they intend to rely, in the form prescribed by the British Columbia *Supreme Court Civil Rules,* to the solicitors for XS at their addresses for delivery as set out in paragraph 30(a) of this Interim Order, on or before 4:00 p.m. (Vancouver time) on September 9, 2024, or as the Court may otherwise direct.

39. Sending the Notice of Hearing of Petition and this Interim Order in accordance with paragraph 7 of this Interim Order will constitute good and sufficient service of this proceeding and no other form of service need be made and no other material need be served on persons in respect of these proceedings. In particular, service of the Petition herein and the accompanying Affidavit and additional Affidavits as may be filed, is dispensed with.

40. If the application for the Final Order is adjourned, only those persons who have filed and delivered a Response to Petition in accordance with this Interim Order need to be served and provided with notice of the adjourned date.

**Precedence**

41. To the extent of any inconsistency or discrepancy between this Interim Order and the articles of XS, the Circular, the BCBCA or applicable securities laws, this Interim Order shall govern.

**Variance and Direction**

42. XS shall, and hereby does, have liberty to apply at any time to vary this Interim Order or apply for such further order or orders or to seek such directions as may be appropriate.

**Extra-Territorial Assistance**

43. This Court seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States or other country to act in aid of and to assist this Court in carrying out the terms of this Interim Order.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY

*Signature of*

☒ Lawyer for Petitioner

**Tevia Jeffries**

*By the Court*

Registrar

CHECKED AS TO FORM KM


No. S245240
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF SECTION 288 OF THE
*BUSINESS CORPORATIONS ACT*, S.B.C. 2002, C. 57, AS AMENDED

AND

**IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
XS FINANCIAL INC. AND
XS ACQUISITION PORTFOLIO LLC**

**XS FINANCIAL INC.**

PETITIONER

# NOTICE OF HEARING OF PETITION

**TO:** The holders (the "**SV Shareholders**") of subordinate voting shares of XS Financial Inc. (the "**SV Shares**") and the holders (the "**PV Shareholders**" and together with the SV Shareholders, the "**Shareholders**") of proportionate voting shares of XS Financial Inc. (the "**PV Shares**" and together with the SV Shares, the **"Shares**")

**AND TO:** The holders ("**Optionholders**") of stock options ("**Options**") and the holders ("**Warrantholders**", and collectively with Optionholders and Shareholders, the "**Securityholders**") share purchase warrants (the "**Warrants**")

**NOTICE IS HEREBY GIVEN** that a Petition has been filed by XS Financial Inc. in the Supreme Court of British Columbia for approval of an arrangement (the "**Arrangement**") pursuant to Section 288 of the *Business Corporations Act*, S.B.C. 2002, c. 57, as amended, involving XS Financial Inc., XS Acquisition Portfolio LLC, and the Securityholders. Capitalized terms used but not defined have the meaning ascribed in the Petition.

**AND NOTICE IS FURTHER GIVEN** that by an Interim Order of the Supreme Court of British Columbia pronounced on August 7, 2024, the Court has given directions as to the calling of a meeting of the Securityholders (the "**Meeting**") for the purpose of considering and voting on the Arrangement.

**AND NOTICE IS FURTHER GIVEN** that if the Arrangement is approved at the Meeting, the Petitioner intends to apply for an order approving the Arrangement and declaring it to be fair and reasonable to all persons entitled to receive consideration in the exchanges provided for in the Plan of Arrangement (the "**Final Order**") at a hearing before a Judge of the Supreme Court of British Columbia at the Courthouse, at 800 Smithe Street, in the

City of Vancouver, in the Province of British Columbia, on or about September 11, 2024, at 9:45 a.m. (PT), or so soon thereafter as counsel may be heard, or at such later date as the Court may direct and in the manner directed by the Court.

**IF YOU WISH TO BE HEARD AT THE HEARING OF THE PETITION OR WISH TO BE NOTIFIED OF ANY FURTHER PROCEEDINGS, YOU MUST GIVE NOTICE OF YOUR INTENTION** by filing a form entitled "Response to Petition", in the form prescribed by the Rules of Court of the Supreme Court of British Columbia, along with any evidence or materials which you intend to present to the Court, at the Vancouver Registry of the Court and **YOU MUST ALSO DELIVER** a copy of the filed Response to Petition, together with a copy of all evidence or materials on which you intend to rely at the application for the Final Order, to the solicitors for the Petitioner at their address for delivery, which is set out below, on or before 4:00 p.m. (PT) on September 9, 2024, or as the Court may otherwise direct.

**YOU OR YOUR SOLICITOR** may file the Response to Petition. You may obtain a form of "Response to Petition" at the Registry. or on the Court's website at https://www.supremecourtbc.ca/sites/default/files/web/forms/Form-67.pdf. The address of the Registry is: 800 Smithe Street, Vancouver, British Columbia, V6Z 2E1

**IF YOU DO NOT FILE A RESPONSE TO PETITION** and do not attend either in person or by counsel at the time of such hearing, the Court may approve the Arrangement, as presented at that time, or may approve it subject to such terms and conditions as the Court deems fit, all without further notice to you. If the Arrangement is approved, it will significantly affect the rights of Securityholders.

A copy of the said Petition and other documents in the proceedings will be furnished to any Securityholders upon request in writing addressed to the solicitors of the Petitioner at their address for delivery set out below.

The Petitioner's time estimate is 15 minutes.

The matter is within the jurisdiction of a Judge.

The Petitioner's address for delivery is:

**Farris LLP**
25th Floor, 700 W Georgia Street
Vancouver BC V7Y 1B3

**Attention: Tevia R.M. Jeffries**
Tel: 604.661.2174
tjeffries@farris.com

Date: August 7, 2024

Signature of ☐ Petitioner
☒ Lawyer for Petitioner
Tevia Jeffries

**Schedule "F"**

**Section 237 through Section 247 of the Business Corporations Act (British Columbia)**

Definitions and application

**237** (1) In this Division:

"**dissenter**" means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

"**notice shares**" means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

"**payout value**" means,

(a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,

(b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291(2)(c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement,

(c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, or

(d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations, excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

(a) the court orders otherwise, or

(b) in the case of a right of dissent authorized by a resolution referred to in section 238(1)(g), the court orders otherwise or the resolution provides otherwise.

**Right to dissent**

**238** (1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent as follows:

(a) under section 260, in respect of a resolution to alter the articles

(i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on,

(ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company's community purposes within the meaning of section 51.91, or

(iii) without limiting subparagraph (i), in the case of a benefit company, to alter the company's benefit provision;

(b) under section 272, in respect of a resolution to adopt an amalgamation agreement;

(c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;

(d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;

(e) under section 301(5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;

(f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;

(g) in respect of any other resolution, if dissent is authorized by the resolution;

(h) in respect of any court order that permits dissent.

(1.1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent under section 51.995(5) in respect of a resolution to alter its notice of articles to include or to delete the benefit statement.

(2) A shareholder wishing to dissent must

(a) prepare a separate notice of dissent under section 242 for

(i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,

(b) identify in each notice of dissent, in accordance with section 242(4), the person on whose behalf dissent is being exercised in that notice of dissent, and

(c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.

(3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must

(a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and

(b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

**Waiver of right to dissent**
**239** (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

(2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must

(a) provide to the company a separate waiver for

(i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and

(b) identify in each waiver the person on whose behalf the waiver is made.

(3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

(a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and

(b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

**Notice of resolution**

**240** (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.

(2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

(a) a copy of the resolution,

(b) a statement advising of the right to send a notice of dissent, and

(c) if the resolution has passed, notification of that fact and the date on which it was passed.

(4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

**Notice of court orders**

**241** If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

(a) a copy of the entered order, and

(b) a statement advising of the right to send a notice of dissent.

**Notice of dissent**

**242** (1) A shareholder intending to dissent in respect of a resolution referred to in section 238(1)(a), (b), (c), (d), (e) or (f) or (1.1) must,

(a) if the company has complied with section 240(1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,

(b) if the company has complied with section 240(3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or

(c) if the company has not complied with section 240(1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of

(i) the date on which the shareholder learns that the resolution was passed, and

(ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238(1)(g) must send written notice of dissent to the company

(a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or

(b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under section 238(1)(h) in respect of a court order that permits dissent must send written notice of dissent to the company

(a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or

(b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.

(4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:

(a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;

(b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;

(c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and

(i) the name and address of the beneficial owner, and

(ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.

(5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

**Notice of intention to proceed**

**243** (1) A company that receives a notice of dissent under section 242 from a dissenter must,

(a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of

(i) the date on which the company forms the intention to proceed, and

(ii) the date on which the notice of dissent was received, or

(b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.

(2) A notice sent under subsection (1)(a) or (b) of this section must

(a) be dated not earlier than the date on which the notice is sent,

(b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and

(c) advise the dissenter of the manner in which dissent is to be completed under section 244.

**Completion of dissent**

**244** (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,

(a) a written statement that the dissenter requires the company to purchase all of the notice shares,

(b) the certificates, if any, representing the notice shares, and

(c) if section 242(4)(c) applies, a written statement that complies with subsection (2) of this section.

(2) The written statement referred to in subsection (1)(c) must

(a) be signed by the beneficial owner on whose behalf dissent is being exercised, and

(b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) that dissent is being exercised in respect of all of those other shares.

(3) After the dissenter has complied with subsection (1),

(a) the dissenter is deemed to have sold to the company the notice shares, and

(b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.

(4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.

(5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this

Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.

(6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

**Payment for notice shares**

**245** (1) A company and a dissenter who has complied with section 244(1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

(a) promptly pay that amount to the dissenter, or

(b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may

(a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,

(b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244(1), and

(c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must

(a) pay to each dissenter who has complied with section 244(1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or

(b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(4) If a dissenter receives a notice under subsection (1)(b) or (3)(b),

(a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or

(b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.

(5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that

(a) the company is insolvent, or

(b) the payment would render the company insolvent.

**Loss of right to dissent**

**246** The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

(a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;

(b) the resolution in respect of which the notice of dissent was sent does not pass;

(c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;

(d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;

(e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;

(f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;

(g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;

(h) the notice of dissent is withdrawn with the written consent of the company;

(i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

**Shareholders entitled to return of shares and rights**

**247** If, under section 244(4) or (5), 245(4)(a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

(a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244(1)(b) or, if those share certificates are unavailable, replacements for those share certificates,

(b) the dissenter regains any ability lost under section 244(6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and;

(c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

**Schedule "G"**

**Change in Auditor Package**

**[See attached]**

URISH POPECK & CO., LLC
Accountants and Consultants

July 5, 2024

British Columbia Securities Commission
Alberta Securities Commission
Ontario Securities Commission

**RE: XS Financial Inc. (the "Company")**

**Notice Pursuant to NI 51-102 of Change of Auditor**

Dear Sirs / Mesdames:

As required by National Instrument 51-102, we have read the Company's Change of Auditor Notice (the "Notice") dated July 5, 2024, and agree with information regarding Urish Popeck & Co., LLC ("UPCO") contained therein, based upon our knowledge of the information contained in the Notice at this date. We have no basis to agree or disagree with information not related to UPCO.

Very truly yours,

Urish Popeck & Co., LLC

Urish Popeck & Co., LLC

cc: The Board of Directors, XS Financial Inc.

Link-It
ACCOUNTING + FINANCIAL SERVICES
Chartered Professional Accountant

**Link-It Accounting and Financial Services Inc.**
2182 Rufus Drive
North Vancouver, BC
V7J 3P9

**T:** (604)786-3630

**www.linkitaccounting.com**

July 5th, 2024

TO: British Columbia Securities Commission
Alberta Securities Commission
Ontario Securities Commission
Canadian Securities Exchange

Dear Sirs/Madams:

**Re: XS Financial Inc. ("the Company")**

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, I have reviewed the information contained in the Notice of Change of Auditor of the Company dated July 5th, 2024 ("the Notice") and, based on my knowledge of such information at this time, I agree with the statements made in the Notice pertaining to my firm. I advise that I have no basis to agree or disagree with the comments in the Notice pertaining to Urish Popeck & Co., LLC.

Yours very truly,

*Link-It Accounting and Financial Services Inc.*

Link-It Accounting and Financial Services Inc.

Chartered Professional Accountant

Licensed Public Accountant

**XS FINANCIAL INC.**

**NOTICE OF CHANGE OF AUDITOR**

TO: Urish Popeck & Co., LLC

AND TO: Link-It Accounting and Financial Services Inc.

Dated: July 5th, 2024

NOTICE IS HEREBY GIVEN that, on the advice of the Audit Committee of XS Financial Inc. (the "Corporation"), the Board of Directors of the Corporation resolved as of July 5th 2024, that: (a) the resignation of Urish Popeck & Co., LLC, with effect from July 5th 2024, as auditor of the Corporation be accepted, and (b) Link-It Accounting and Financial Services Inc. be appointed as auditor of the Corporation effective as of July 5th, 2024, to hold office until the next annual meeting at a remuneration to be fixed by the directors.

In accordance with National Instrument 51-102 ("**NI 51-102**") we confirm that:

(a) Urish Popeck & Co., LLC, resigned as auditor of the Corporation at the request of the Board of Directors of the Corporation;

(b) Urish Popeck & Co., LLC, has not expressed a modified opinion in its reports for the most recently completed fiscal year of the Corporation, nor for the period from the most recently completed period for which Urish Popeck & Co., LLC issued an audit report in respect of the Corporation and the date of this Notice;

(c) the resignation of Urish Popeck & Co., LLC and appointment of Link-It Accounting and Financial Services Inc.as auditor of the Corporation were considered by the Audit Committee and approved by the Board of Directors of the Corporation; and

(d) in the opinion of the Board of Directors of the Corporation, no "reportable event" as defined in NI 51-102 has occurred in connection with the audits of the two most recently completed fiscal years of the Corporation, nor any period from the most recently completed period for which Macias Gini & O'Connell LLP, issued an audit report in respect of the Corporation and the date of this Notice.

XS FINANCIAL INC.

per: "David Kivitz"

David Kivitz –Chief Executive Officer