

XS FINANCIAL REPORTS SECOND QUARTER 2024 RESULTS AND PROVIDES AN UPDATE ON PRIVATIZATION TRANSACTION

LOS ANGELES, CA, August 29th, 2024 – XS Financial Inc. (“XS Financial”, “XSF” or the “Company”) (CSE: XSF) (OTCQB: XSHLF), a specialty finance company providing CAPEX and equipment financing solutions to cannabis companies in the United States, reports its financial results today for the second quarter ended June 30th, 2024. All amounts are expressed in U.S. dollars unless indicated otherwise.

Post-Quarter-End Portfolio and Corporate Highlights:

	Q3/23	Q4/23	Q1/24	Q2/24	As of 08/27/2024
# of Customers	16	16	16	16	16
# of Active Leases	222	228	232	230	230
Active Leases Since Inception	\$127.0mm	\$127.9mm	\$129.1mm	\$126.0mm	\$126.0mm
Average Lease Size by Customer	\$7.9mm	\$8.0mm	\$8.0mm	\$7.8mm	\$7.8mm
Monthly Recurring Payments	\$3.2mm	\$3.2mm	\$3.3mm	\$3.2mm	\$2.9mm
Gross Lease Receivables	\$113.1mm	\$104.6mm	\$96.2mm	\$85.2mm	\$78.9mm

Summary Financial Results – Three Months Ending June 30th, 2024.

The following table sets forth selected financial information for the periods indicated that was derived from our financial statements.

	For the three months ended June 30 th	
	2024	2023
Financing income and operating lease revenue	\$2,390,698	\$2,990,414
Operating expenses	\$1,003,173	\$1,494,578
Other expenses (income)	\$1,879,734	\$3,173,081
Net (loss) income	\$(492,209)	\$(1,677,245)
Income (loss) per share – basic	\$0.00	\$(0.02)
Weighted average shares outstanding – basic	103,885,041	103,885,041

Revenues for the three months ended June 30, 2024, were \$2,390,698 compared with \$2,990,414 for the three months ended June 30, 2023. The decrease was attributable to a decrease in the volume of new leases added to the Company’s lease portfolio between June 30, 2023, and June 30, 2024.

Operating expenses for the three months ended June 30, 2024, were \$1,003,173 compared with \$1,494,578 for the three months ended June 30, 2023.

Other expenses for the three months ended June 30, 2024, were \$1,879,734 compared with \$3,173,081 for the three months ended June 30, 2023. The decrease in other expenses of \$1,293,347 for the three months ended June 30, 2024, as compared to the same period in 2023 was primarily attributable to decreases of approximately \$1,179,000 and \$212,000 in non-cash accretion expenses and financing expenses, respectively.

The Company's net loss for the three months ended June 30, 2024, was \$(492,209) compared to a net loss of \$(1,677,245) for the three months ended June 30, 2023.

Net Distributable Earnings

After adjusting for non-cash items, including the unrealized loss in the fair value change of investments, accretion expense, and stock-based compensation, including gain (loss) from lease terminations, the Company reported net distributable earnings of (\$252,222) in Q2 2024 compared to (\$203,403) in Q2 2023, a 24% decrease year over year.

Summary of Net Distributable Earnings – Second Quarter 2024 compared to Second Quarter 2023

	Q2 2024	Q2 2023
Operating Income	\$1,387,525	\$1,495,836
Add: Noncash Equity Compensation	\$84,656	\$208,880
Add: Depreciation Expense	\$877	\$4,520
Add: Gain (Loss) on Lease Termination	-\$21,238	\$3,709
Less: Interest Expense	-\$1,704,042	-\$1,916,347
Net Distributable Earnings	-\$252,222	-\$203,403

Updated Information on Privatization Transaction

The Company is pleased to provide an update in respect of its previously announced transaction pursuant to which XS Acquisition Portfolio LLC (the "Purchaser"), an affiliate of a US alternative asset fund, will acquire all of the issued and outstanding subordinate voting shares ("SV Shares") and proportionate voting shares ("PV Shares") of XS, by plan of arrangement for a cash purchase price of Cdn\$0.05265 per SV Share and Cdn\$52.65 per PV Share (the "Arrangement").

XS is convening a general and special meeting to be held on September 9, 2024 to seek securityholder approval for the Arrangement (the "Meeting"). The transaction will be effected by way of a court-approved plan of arrangement under Section 288 of the *Business Corporations Act* (British Columbia) and will require the following approvals to be obtained at the Meeting:

- (i) approval of at least 66 2/3% of the votes cast by holders of SV Shares at the Meeting, voting separately as a class;
- (ii) approval of at least 66 2/3% of the votes cast by holders of PV Shares at the Meeting, voting separately as a class;
- (iii) approval of at least 66 2/3% of the votes cast by holders of SV Shares, PV Shares, outstanding stock options of XS ("Options") and outstanding share purchase warrants of XS ("Warrants") at the Meeting, voting together as a single class;
- (iv) a simple majority of the votes cast by holders of SV Shares at the Meeting, excluding votes from certain shareholders as required under Multilateral Instrument 61-101 ("MI 61-101"); and
- (v) a simple majority of the votes cast by holders of PV Shares at the Meeting, excluding votes from certain shareholders as required under MI 61-101.

The votes to be excluded with respect to items (iv) and (v) above are those attaching to SV Shares and PV Shares held, directly or indirectly, by Messrs. David Kivitz, Antony Radbod and Justin Vuong (collectively, the "Interested Insiders"). 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) the Interested Insiders, each of whom is a director and/or officer of XS, is entitled to receive

a collateral benefit in connection with the Arrangement pursuant to (A) new employment agreements to be entered into pursuant to which each of the Interested Insiders will provide ongoing services to XS following completion of the Arrangement; and (B) the receipt of a portion of an overall bonus pool in the aggregate amount of US\$770,000 upon completion of the Arrangement (the division of which will be determined by the compensation committee of the Company in its discretion). To the knowledge of the Company, the Interested Insiders 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 hereof, 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.

For further details of the Meeting, please refer to the management information circular of the Company dated August 2, 2024 (the "Circular") available at SEDAR+ online at www.sedarplus.ca. The Company has also agreed to waive the proxy cut-off deadline as set forth in the Circular and accept duly completed proxies up to the commencement of the Meeting. All XS securityholders are urged to read the Circular in its entirety as it contains additional important information about the Arrangement. The Company encourages all shareholders and holders of Options and Warrants to complete and return their form of proxy or voting information form, as applicable, in accordance with the instructions contained in the Circular in order that such securities may be voted at the Meeting.

Additional Information

For further details of the Arrangement, please refer to the press release of XS dated June 24, 2024, available on SEDAR+ at www.sedarplus.ca.

Completion of the Arrangement is subject to various conditions, including but not limited to, Canadian Securities Exchange acceptance as well as court and XS securityholder approval. The Arrangement cannot close until the required securityholder, regulatory and court approvals are obtained. There can be no assurance that the Arrangement will be completed as proposed or at all. Investors are cautioned that, except as disclosed in the Circular, any information released or received with respect to the Arrangement may not be accurate or complete and should not be relied upon. Trading in the securities of XS should be considered highly speculative. The Canadian Securities Exchange has in no way passed upon the merits of the proposed Arrangement and has neither approved nor disapproved the contents of this news release.

About XS Financial

Founded in 2017, XS Financial specializes in providing CAPEX financing solutions to cannabis companies in the United States, including cultivators, processors, manufacturers, and testing laboratories. In addition, XSF has partnered with over 250 original equipment manufacturers (OEM) through its network of Preferred Vendor partnerships. This powerful dynamic provides an end-to-end solution for customers which results in recurring revenues, strong profit margins, and a proven business model for XSF stakeholders. The Company's subordinate voting shares are traded on the Canadian Securities Exchange under the symbol "XSF". For more information, visit: www.xsfinancial.com.

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Non-IFRS Financial Measures

This press release includes references to certain non-IFRS financial measures. These non-IFRS measures do not have any standardized meanings prescribed by International Financial Reporting Standards (IFRS) as issued by the International

Accounting Standards Board (IASB) and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation, in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS.

Forward-Looking Information

This press release contains "forward-looking information" and may also contain statements that may constitute "forward-looking statements", collectively "forward-looking information", within the meaning of applicable Canadian securities legislation. Such forward-looking information is not representative of historical facts or information or current condition, but instead represent the beliefs and expectations regarding future events about the business and the industry and markets in which XS Financial operates, as well as plans or objectives of management, many of which, by their nature, are inherently uncertain. Generally, such forward-looking information can be identified by the use of terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". Forward-looking information contained herein may include but is not limited to, any additional leasing opportunities and the ability to capitalize on such and the timing thereof. Forward-looking information is not a guarantee of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Accordingly, readers should not place undue reliance on forward-looking information, which are qualified in their entirety by this cautionary statement. XS Financial Inc., does not undertake any obligation to release publicly any revisions for updating any voluntary forward-looking information, except as required by applicable securities law.

Neither the Canadian Securities Exchange nor its Regulation Services Provider accepts responsibility for the adequacy or accuracy of this release.