

XS FINANCIAL ANNOUNCES \$2.5 MILLION PRIVATE PLACEMENT LED BY GRAVITAS SECURITIES, CANACCORD GENUITY WITH INSIDERS TO PARTICIPATE AND PROVIDES CORPORATE UPDATE

LOS ANGELES, CA, February 4th, 2021 – XS Financial Inc. (“XS Financial”, “XSF” or the “Company”) (CSE: XSF) (OTCQB: XSHLF), an equipment finance and leasing company serving cannabis and hemp companies in the United States, is pleased to announce that it has entered into an engagement letter with Gravitas Securities Inc. and Canaccord Genuity Corp. (the “Co-Lead Agents”) pursuant to which it proposes to complete a private placement (the “Offering”) of up to 8,333,334 units (“Units”) at a price of C\$0.30 per Unit to raise aggregate gross proceeds of up to C\$2,500,000, subject to increase by up to an additional C\$375,000 pursuant to an over-allotment option that has been granted to the Co-Lead Agents. Each Unit will consist of one subordinate voting share of the Company and one share purchase warrant (a “Warrant”). Each Warrant will entitle the holder to acquire one additional subordinate voting share of the Company at an exercise price of \$0.45 CAD until the date which is two years from the closing date of the Offering. The Offering is expected to close on or about the week of March 1st, 2021 or such other date as the Co-Lead Agents and the Company may agree and may be closed in one or more tranches.

XS Financial Management and insiders will be leading participation in the Offering and continue to be fully committed as the leading provider of equipment and lease financing to cannabis and hemp companies in the United States.

Portfolio Highlights (Figures in USD)

	As of September, 2020	As of January, 2021
Gross Lease Receivables	\$3,844,293	\$10,915,885
Number of Active Leases	8	19
Average Lease Size by Customer	\$502,618	\$1,495,863
Monthly Recurring Payments	\$163,575	\$269,044

Corporate Highlights (Figures in USD)

- **Revolving Credit Facility from Federal Deposit Insurance Corporation (FDIC) Insured Bank:** Successfully closed a US\$2 million senior secured revolving credit facility, with an FDIC insured bank, which has a term of two (2) years, expiring in November 2022. Loans made under the revolving facility will bear interest at an annual rate equal to the greater of i) eight percent (8.0%) per annum or ii) the Wall Street Journal Prime plus four percent (4.0%) and may be prepaid with no penalty at any time.
- **Columbia Care Lease Facility:** The Company signed a \$5M lease facility agreement with Columbia Care as announced on December 3rd, 2020.
- **PharmaCann Lease Upsize:** Provided additional financing to PharmaCann Inc. increasing the \$3.4 million lease facility announced May 12, 2020, by \$1.5 million.
- **New Vendors Added to Preferred Vendor Program:** Continued to add new partners to the rapidly growing list of Original Equipment Manufacturers (“OEM”) with the addition of automation, cultivation, and HVAC companies.

David Kivitz, CEO of XS Financial, commented: “This offering will further strengthen our position as the leading capex and equipment financing company to U.S. cannabis and hemp operators. Over the past four months, we have increased our aggregate funding by nearly 100% and have an additional \$8 million committed to existing customers. We are pleased to support some of the largest single and multi-state operators with their capex and expansion needs and look forward to adding new customers in 2021.”

The Co-Lead Agents will act as agents of the Company in connection with the Offering. In consideration of the services of the Co-Agents, the Company will pay a cash commission equal to 8% of the gross proceeds of the Offering and issue such number of broker warrants (“Broker Warrants”) as are equal to 8% of the aggregate number of Units sold

pursuant to the Offering, calculated in each case without reference to Units sold to purchasers on the Company's "president's list" (the "**President's List**"). Each Broker Warrant shall entitle the holder to acquire one Unit at an exercise price of C\$0.30 for a period of two years following the closing of the Offering.

The Offering and related matters remain subject to various closing conditions, including the receipt of applicable regulatory approvals. The Offering is expected to close on or about the week of March 1st, 2021 or such other date as the Co-Lead Agents and the Company may agree and may be closed in one or more tranches. Concurrently with the closing of the Offering, the Company may also complete a separate offering of units ("**PVS Units**") to certain purchasers in the United States in lieu of Units, in order to preserve the foreign private issuer status of the Company under applicable securities laws. The PVS Units will be comprised of proportionate voting shares and share purchase warrants exercisable to acquire proportionate voting shares and will bear the same terms and conditions as the Units subject to adjustment to reflect the ratio of one (1) proportionate voting share for every 1,000 subordinate voting shares.

About XS Financial

Founded in 2017, XSF specializes in providing equipment leasing solutions in the United States to owner/operators of cannabis and hemp companies, including cultivators, oil processors, manufacturers and testing laboratories. In addition, XSF provides a full range of consulting services including equipment selection and procurement, through its network of preferred vendor partnerships with original equipment manufacturers and equipment distributors. 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 common shares are traded on the Canadian Securities Exchange under the symbol "XSF" and in the United States on the OTCQB under the symbol "XSHLF." For more information, visit: www.xsfinancial.com.

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Forward-Looking Information

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

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