

XS FINANCIAL REPORTS FIRST QUARTER 2021 FINANCIAL RESULTS

Strong revenue growth with improved working capital highlight productive quarter

LOS ANGELES, CA, June 1, 2021 – XS Financial Inc. (“XS Financial”, “XSF” or the “Company”) (CSE: XSF) (OTCQB: XSHLF), a specialty finance company providing equipment leasing solutions to cannabis companies in the United States, is pleased to report its financial results today for the quarter ended March 31, 2021 (“Q1/21”). All amounts are expressed in U.S. dollars unless indicated otherwise.

Q1/21 Financial Highlights

- **Revenues** of \$0.4 million compared to \$0.2 million in Q1 2020, representing an increase of 108%;
- **Net loss** of \$0.4 million compared to net loss of \$2.6 million in Q1 2020, representing a decrease of \$2.2 million;
- **Working capital** increased to surplus of \$6.7 million from a working capital deficit of \$2.1 million in Q4 2020, representing an increase of \$8.8 million;
- **EBITDA** loss of \$0.4 million compared to EBITDA loss of \$0.6 million in Q1 2020, representing a decrease of \$0.2 million; Adjusted EBITDA¹ loss of \$24.8 thousand compared to Adjusted EBITDA loss of \$124.2 thousand in Q2 2020, representing an increase of \$99.4 thousand;
- **8 new lease schedules** with Columbia Care, Ayr Wellness, and Maggie’s Farm, resulting in lease originations totaling \$3.3 million compared to \$75.0 thousand in Q1 2020, an increase of 4,333%;
- **Raised \$10.7 million** of new capital supported by institutional and strategic investors;
- **Launched syndication platform** by entering into a series of lease syndications totaling \$1.0 million and maturing in 2024.

Post-Quarter Portfolio and Corporate Highlights

	As of Q3/20	As of Q4/20	As of Q1/21	As of 6/1/21
# of Customers	5	6	7	7
# of Active Leases	8	16	24	32
Total Lease \$ Funded	\$3,239,828	\$7,198,236	\$10,523,302	\$17,562,288
Average Lease Size by Customer	\$647,966	\$1,199,706	\$1,503,329	\$2,508,898
Total Equipment \$ Funded	\$5,620,330	\$10,891,107	\$15,172,875	\$24,459,150
Monthly Recurring Payments	\$117,864	\$220,925	\$293,002	\$474,292
Gross Lease Receivables	\$4,128,613	\$8,818,086	\$12,186,272	\$20,403,756

- **Upsized Columbia Care Lease facility to \$20.0 million** after the initial \$5.0 million facility announced on December 3, 2020, had been fully drawn;
- **8 new lease schedules** with Columbia Care, PharmaCann, Skymint Brands and Ayr Wellness, resulting in lease originations totaling \$7.0 million and equipment value totaling \$9.3 million.

David Kivitz, CEO of XS Financial commented: “2021 is off to a strong start. In the first quarter, we delivered year over year revenue growth of 108% and increased lease originations by \$3.3 million. Our \$10.7 million private placement financing materially strengthened our balance sheet and positioned XS to capitalize on our numerous opportunities ahead. We’ve continued to grow the number of high-quality customers we finance and upsized our commitment to Columbia Care to \$20.0 million, our largest to date. We continue to reinforce our strategy by focusing on partnering with and supporting the growth of market leaders, resulting in larger leasing agreements and repeat business. We

¹ Adjusted EBITDA is a non-IFRS financial performance measure. Adjusted EBITDA is calculated as operating income adjusted for non-cash expenses, non-cash equity incentives and one-time non-operating expenses.

have accelerated our rate of capital deployment, funding large vertically integrated multi-state operators with sizable capex needs.”

Key Financial Results

Results of Operations

The Company has seen continued positive continued revenue growth on a quarter-by-quarter basis as it builds on existing key customer relationships and creates new partnerships. Revenues for the three months ended March 31, 2021, were \$416,172 compared with \$199,861 for the three months ended March 31, 2020. The increase of \$216,311, or 108%, was attributable to revenue recognized from financing income associated with 22 new financing leases between 5 customers from 2020 to 2021. In comparing revenue for Q1/21 to the Company’s preceding quarter which ended December 31, 2020, the Company saw an increase from \$310,697 to \$416,172, an increase of 33.9%.

Administrative expenses for three months ended March 31, 2021, were \$702,596 compared with \$553,191 for three months ended March 31, 2020. The increase of \$149,405 was primarily an increase in professional fees related to a non-recurring \$75,000 non-cash financial advisory consulting fee and an increase in non-cash incentive compensation associated with a March 2021 stock option grant.

Selling and marketing expenses for three months ended March 31, 2021, were \$74,060 compared with \$46,091 for three months ended March 31, 2020. The increase of \$27,969 was primarily attributable to an increase in marketing and promotional activity and commissions.

Other Expense

Other expense for three months ended March 31, 2021, was \$42,673 compared with \$2,180,164 for three months ended March 31, 2020. The decrease in other expense of \$2,137,491 was primarily attributable to the recognition of an unrealized gain in the fair value change of the KushCo investment of approximately \$170,000 in 2021 compared to an unrealized loss of approximately \$1,987,000 in 2020.

Net Loss

The Company’s loss for three months ended March 31, 2021, was \$403,157 compared to a loss of \$2,579,585 for three months ended March 31, 2020. The Company anticipates further improvement in losses throughout 2021 due to the increase in new leasing activity.

Cash Flow Per Share and Earnings Per Share (“EPS”)

Comparative table illustrating changes EPS for period ending March 31, 2020 (“Q1/20”), the period ending June 30, 2020 (“Q2/20”), the period ending September 30, 2020 (“Q3/20”), the period ending December 31, 2020 (“Q4/20”), and Q1/21.

	<u>Q1/20</u>	<u>Q2/20</u>	<u>Q3/20</u>	<u>Q4/20</u>	<u>Q1/21</u>
Earnings Per Share	\$ (0.05)	\$ (0.02)	\$ (0.02)	\$ (0.01)	\$ (0.01)

The Company realized a loss of \$403,157 for Q1/21 compared to a loss of \$2,579,585 for Q1/20. After adjusting for non-cash items including unrealized loss in fair value change of investments, accretion expense, the Company reported an adjusted net loss of \$519,650 compared to a loss of \$549,860 in Q1/20.

Liquidity and Capital Resources

The Company’s liquidity needs are primarily to finance growth initiatives, including equipment acquisition, leasing activities, debt services and for general corporate purposes.

At March 31, 2021, the Company had \$7,731,624 of cash and working capital of \$6,685,337 compared with \$545,990 of cash and working capital deficit of \$(2,079,684) as of December 31, 2020. The increase in cash and working capital by \$7,185,634 and \$8,765,021, respectively, is directly attributable to the March 2021 private placement equity issuance in which the Company raised approximately \$9,900,000 of cash, net of issuance cost partially offset by cash used to purchase equipment related to new financing leases as well as the ongoing funding of operations.

Additional information and disclosure relating to the Company's financial position for Q1/21, is available within the FS and MDA, both of which are available under the Company's profile at www.sedar.com.

About XS Financial

XS Financial provides the U.S. cannabis industry access to competitively-priced, non-dilutive CAPEX financing solutions. Founded in 2017, the Company specializes in providing financing for equipment and other qualified capital expenditures to growing cannabis companies, including cultivators, processors, manufacturers and testing laboratories. In addition, XSF has partnered with over 150 original equipment manufacturers (OEM) through its network of Preferred Vendor partnerships. This powerful dynamic provides an end-to-end solution for customers, resulting 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" and in the United States on the OTCQB under the symbol "XSHLF." 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.