

XS FINANCIAL REPORTS SECOND QUARTER 2021 FINANCIAL RESULTS

Continued revenue growth and record lease originations highlight productive quarter

LOS ANGELES, CA, August 30, 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 year ended June 30, 2021 (“Q2/21”). All amounts are expressed in U.S. dollars.

Q2/21 Financial Highlights

- **Revenues** of \$0.6 million compared to \$0.0 million in Q2 2020, representing an increase of \$0.6 million;
- **Net loss** of \$0.5 million compared to a net loss of \$0.9 million Q2 2020, representing a favorable decrease of \$0.4 million;
- **492% increase in funded leases** from \$2.0 million in Q2 2020 to \$11.9 million in Q2 2021 with customers such as Columbia Care, PharmaCann, Ayr Wellness, Skymint Brands, and an undisclosed confidential company, resulting in 14 new lease schedules;
- **100% increase on monthly recurring payments** during the quarter to \$0.6 million from \$0.3 million at Q1 2021;
- **113% increase in gross lease receivables** during the quarter from \$12.2 million in Q1 2021 to \$26.0 million;
- **EBITDA** loss of \$0.2 million (Q2/20 - loss of \$0.7 million); Adjusted EBITDA¹ loss of \$0.1 million (Q2/20 - loss of \$0.3 million).

Post-Quarter Portfolio and Corporate Highlights

	As of Q4/20	As of Q1/21	As of Q2/21	As of 8/30/21
# of Customers	6	7	8	9
# of Active Leases	16	24	38	48
Total Funded Leases Since Inception	\$7.2 million	\$10.5 million	\$22.1 million	\$34.0 million
Average Lease Size by Customer	\$1.2 million	\$1.5 million	\$2.8 million	\$3.8 million
Total Equipment Cost	\$10.9 million	\$15.2 million	\$30.4 million	\$44.6 million
Monthly Recurring Payments	\$0.2 million	\$0.3 million	\$0.6 million	\$0.9 million
Gross Lease Receivables	\$8.8 million	\$12.2 million	\$26.0 million	\$38.8 million

- **Upsized Ayr Wellness lease facility to \$21.4 million** after the initial \$5.3 million facility announced in November 2020 had been fully drawn;
- **Doubled revolving credit line with FDIC bank** by upsizing our facility from \$2.0 million to \$4.0 million with improved terms;
- **10 new lease schedules** with Columbia Care, Hollister Biosciences and Ayr Wellness, resulting in lease originations totaling \$11.9 million and equipment value totaling \$14.2 million;
- **Continued growth of syndication platform** by expanding participation to a total of \$5.4 million of lease transactions.

David Kivitz, CEO of XS Financial, commented: “We have continued to build upon tangible success over the recent fiscal quarters and achieved several key milestones during Q2. Our expanding portfolio of high-quality, market-leading customers illustrates the strong demand for our CAPEX and equipment financing solutions. The recent upsizing of \$21.4 million with Ayr Wellness represents our largest commitment to date. On a quarter-by-quarter basis, we have

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.

seen encouraging indicators and positive support that have solidified our forward-looking strategies. Our recurring payments are approaching \$1.0 million monthly which is a significant milestone, providing XS Financial with a stable and repetitive base of cash flows from our leases that average 46 months in duration. We are expecting our key metrics to continue developing in a positive manner as we build on our past accomplishments and focus on delivering shareholder value in the coming quarters.”

Key Financial Results

Results of Operations

The Company has seen sustained revenue growth on a quarter-by-quarter basis as it supports existing key customer relationships while creating new partnerships. Revenues for the three months ended June 30, 2021, were \$561,579 compared with \$72 for the three months ended June 30, 2020. The increase of \$561,507 for three months ended June 30, 2021, as compared to the same period in 2020 was attributable to revenue recognized from financing income associated with 33 new financing leases between 6 customers from 2020 to 2021. In comparing revenue for Q2/21 to the Company’s preceding quarter which ended March 31, 2021, the Company saw an increase from \$416,172 to \$561,579, an increase of 34.9%.

Administrative expenses for three months ended June 30, 2021, were \$700,424 compared with \$632,606 for three months ended June 30, 2020. The increase of \$67,818 was primarily attributable to an increase of approximately \$119,000 in the use of third-party contactors and employees, and management fee expense and an increase of approximately \$78,000 in professional fees related to the Company’s continued operational growth and financing activities.

Selling and marketing expenses for three months ended June 30, 2021, were \$64,137 compared with \$121,332 for three months ended June 30, 2020. The decrease of \$57,195 was primarily attributable to a \$63,000 expense in 2020 related to non-cash marketing services paid through the issuance of common shares.

Other Expense

Other expense for three months ended June 30, 2021, was \$277,596 compared with \$174,954 for three months ended June 30, 2020. The increase in other expense of \$102,642 was primarily attributable to the increase in unrealized losses of approximately \$129,000 related to the fair value change of the KushCo investment from a gain of approximately \$(89,000) in 2020 to loss of approximately \$40,000 in 2021.

Net Loss

The Company’s loss for three months ended June 30, 2021, was \$(480,578) compared to a loss of \$(928,820) for three months ended June 30, 2020. The Company anticipates further improvement in net income (loss) throughout 2021 due to the increase in new leasing activity and portfolio growth.

Earnings Per Share (“EPS”) and Adjusted Net Loss

Comparative table illustrating changes EPS for the period ending June 30, 2020 (“Q2/20”), the period ending September 30, 2020 (“Q3/20”), the period ending December 31, 2020 (“Q4/20”), the period ending March 31, 2021 (“Q2/21”), and Q2/21.

	<u>Q2/20</u>	<u>Q3/20</u>	<u>Q4/20</u>	<u>Q1/21</u>	<u>Q2/21</u>
Earnings Per Share	\$ (0.02)	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.00)

The Company realized a loss of \$480,578 for Q2/21 compared to a loss of \$928,820 for Q2/20. 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 \$201,297 compared to an adjusted net loss of \$485,326 in Q2/20.

Additional information and disclosure relating to the Company’s financial position for Q2/21, is available within the FS and MDA, both of which are available under the Company’s profile at www.sedar.com.

Second Quarter 2021 Financial Results and Earnings Call

The Company will be hosting a conference call and audio webcast to review the financial results on Tuesday, August 31, 2021 at 08:00 a.m. Pacific (11:00 a.m. Eastern).

- **Earnings Call Participation Details**
Canada/USA Toll Free: 1-800-319-4610
- **Conference Replay**
Canada/USA Toll Free: 1-800-319-6413
Replay Access Code: 7605

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.

For inquiries please contact:

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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.