

XS FINANCIAL REPORTS THIRD QUARTER 2021 FINANCIAL RESULTS

502% Increase in YoY Revenue Contributes to Positive Adjusted EBITDA

LOS ANGELES, CA, November 29, 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 September 30, 2021 (“Q3/21”). All amounts are expressed in U.S. dollars.

Q3/21 Financial Highlights

- **502% increase in revenue** from \$0.2 million in Q3/20 to \$1.0 million in Q3/21;
- **56% increase in closed leases** from \$22.1 million in Q2/21 to \$34.6 million in Q3/21;
- **69% increase in monthly recurring payments** from \$0.6 million in Q2/21 to \$1.0 million in Q3/21;
- **49% increase in gross lease receivables** from \$26.0 million in Q2/21 to \$38.8 million in Q3/21;
- **Adjusted EBITDA¹ profit** of \$0.4 million (Q3/20 - loss of \$0.0 million) and adjusted EBITDA margin of 43% in Q3/21; EBITDA loss of \$0.2 million (Q3/20 - loss of \$0.3 million) in Q2/21;
- **Closed \$15.0 million credit facility** with the Garrington Group of Companies Inc., the lender finance division of Next Edge Capital to support growth and diversify funding sources available to the Company.

Post-Quarter Portfolio and Corporate Highlights

	As of Q/21	As of Q2/21	As of Q3/21	As of 11/29/21
# of Customers	7	8	9	9
# of Active Leases	24	38	52	61
Total Closed Leases Since Inception	\$10.5 million	\$22.1 million	\$34.6 million	\$39.5 million
Average Lease Size by Customer	\$1.5 million	\$2.8 million	\$3.8 million	\$4.4 million
Total Equipment Cost	\$15.2 million	\$30.4 million	\$45.6 million	\$51.2 million
Monthly Recurring Payments	\$0.3 million	\$0.6 million	\$1.0 million	\$1.1 million
Gross Lease Receivables	\$12.2 million	\$26.0 million	\$38.8 million	\$42.2 million

- **Raised \$43.5 Million** through a private placement of unsecured convertible notes. The financing was led by a large institutional investor, with additional participation from urban-gro (NASDAQ: UGRO), Landrace Financial, Bengal Capital, and KEY Investment Partners;
- **9 new lease schedules** with Ayr Wellness, Columbia Care, PharmaCann, and Maggie’s Farm, resulting in lease originations totaling \$4.9 million and equipment value totaling \$5.6 million;
- **Appointment of Mr. Andrew Mitchell** a Research Analyst at Marblegate Asset Management, to the Board of Directors, which now comprises an independent majority, providing additional transparency and strength to the Company’s corporate governance.

David Kivitz, CEO of XS Financial, commented: “During the third quarter we achieved significant operational milestones including the Company’s largest lease facility commitment to date of \$21.4 million with Ayr Wellness, as well as our most profitable quarter to date in terms of adjusted EBITDA. We also generated record revenue, increased monthly recurring payments to over \$1.0 million and accomplished record gross lease receivables. The closing of our \$15.0 million credit facility and our \$43.5 million financing earlier this month has transformed our financial foundation and positioned us for rapid growth, which we expect to benefit our shareholders. We look forward to delivering positive results related to our key metrics and building out our portfolio and pipeline with existing market-leading operators.”

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.

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 September 30, 2021, were \$998,412 compared with \$165,829 for the three months ended September 30, 2020, an increase of 502%. The increase of \$832,583 for three months ended September 30, 2021, as compared to the same period in 2020 was attributable to revenue recognized from financing income associated with 45 new financing leases between 6 customers from 2020 to 2021. In comparing revenue for Q3/21 to the Company's preceding quarter which ended June 30, 2021, the Company saw an increase from \$561,579 to \$998,412, an increase of 78%.

Administrative expenses for three months ended September 30, 2021, were \$1,089,382 compared with \$357,871 for three months ended September 30, 2020. The increase was primarily attributable to an increase of approximately \$381,000 in non-cash incentive compensation expense related to the grant of stock options in the third quarter of 2021 in accordance with the Company's short and long-term incentive plan, and personnel and contractor costs increasing approximately \$209,000 as a result of executive compensation paid for the first time in the third quarter of 2021, increased use of third-party contactors related to increased Company operations and increased professional fees incurred for non-recurring projects and financing activities.

Selling and marketing expenses for three months ended September 30, 2021, were \$71,104 compared with \$63,399 for three months ended September 30, 2020.

Other Expense

Other expense for three months ended September 30, 2021, was \$466,472 compared with \$622,390 for three months ended September 30, 2020. The decrease was primarily attributable to a decrease in unrealized losses of approximately \$271,000 related to fair value changes in the Company's investment in Greenlane and a decrease of approximately \$84,000 related to losses recognized in 2020 on the sale of servicing equipment. The above decreases were partially offset by an increase of approximately \$100,000 in financing and accretion expenses associated with new debt in 2021, and a realized loss of approximately \$99,000 related to the sale of Greenlane stock.

Net Loss

The Company's loss for three months ended September 30, 2021, was \$(628,546) compared to a loss of \$(877,831) for three months ended September 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 September 30, 2020 ("Q3/20"), the period ending December 31, 2020 ("Q4/20"), the period ending March 31, 2021 ("Q1/21"), the period ending June 30, 2021 ("Q2/21"), and Q3/21.

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

The Company realized a loss of \$(628,546) for Q3/21 compared to a loss of \$(877,831) for Q3/20. 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 \$(379,244) compared to an adjusted net loss of \$(266,509) as previously reported in Q3/20.

Additional information and disclosure relating to the Company's financial position for Q3/21, is available within the FS and MDA, both of which are available under the Company's profile at www.sedar.com.

Third Quarter 2021 Financial Results and Earnings Call

The Company will be hosting a conference call and audio webcast to review the financial results on Monday, November 29, 2021 at 01:30 p.m. Pacific (04:30 p.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: 8178

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.

Adjusted EBITDA is a non-IFRS measure used by management that is not defined by IFRS and may not be comparable to similar measures presented by other companies. Adjusted EBITDA is calculated as the operating loss, adjusted to exclude depreciation and amortization, non-cash equity compensation, and one-time non-recurring operating expenses.

	Three months ended September 30, 2021
Loss from Operations	\$ (162,074)
Add: Depreciation & Amortization	4,402
Add: Non-Cash Equity Compensation	409,844
Add: Non-Recurring Expenses	180,726
Adjusted EBITDA	\$ 432,898

Adjusted net income (loss) is a non-IFRS measure used by management that is not defined by IFRS and may not be comparable to similar measures presented by other companies. Adjusted net income (loss) is calculated as the net income (loss), adjusted to exclude unrealized loss on foreign currency translation, unrealized loss (gain) in fair value change of investments, realized gain (loss) on sale of investments, and accretion expenses.

	Three months ended September 30, 2021
Comprehensive Net Loss	\$ (636,274)
Add: Unrealized loss on foreign currency translation	7,728
Add: Unrealized loss (gain) in fair value change of investments	50,072
Add: Realized loss on sale of investments	98,857
Add: Accretion expense	100,373
Adjusted Net Loss	\$ (379,244)

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.