

XS FINANCIAL REPORTS FIRST QUARTER 2023 RESULTS

Company Generates Record Quarterly Revenue of \$2.8M, 121% YoY increase from Q1 2022

LOS ANGELES, CA, May 30th, 2023 – 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 first quarter ended March 31st, 2023. All amounts are expressed in U.S. dollars unless indicated otherwise.

Q1/23 Financial Highlights:

- **121% YoY increase in Q1 revenue** to \$2.8 million in Q1/23 from \$1.3 million in Q1/22;
- **133% YoY increase in gross lease receivables** to \$111.7 million in Q1/23 from \$47.9 million in Q1/22;
- **104% YoY improvement in net distributable earnings** to \$19k in Q1 2023 from (\$438k) in Q1 2022;
- **24 new lease schedules** with Aeriz, Ayr Wellness, Green Dragon / Eaze, Jushi, PharmaCann, and Northeast Alternative, resulting in closed lease transactions totaling approximately \$7.7 million.
- **25,023,888 management stock options forfeiture** for no consideration

Post-Year-End Portfolio and Corporate Highlights:

	Q2/22	Q3/22	Q4/22	Q1/23	As of 05/23/2023
# of Customers	11	14	15	16	16
# of Active Leases	96	139	174	189	199
Active Leases Since Inception	\$67.3 million	\$92.9 million	\$108.7 million	\$113.9 million	\$116.1 million
Average Lease Size by Customer	\$6.1 million	\$6.6 million	\$7.2 million	\$7.2 million	\$7.3 million
Monthly Recurring Payments	\$1.7 million	\$2.3 million	\$2.7 million	\$2.7 million	\$2.9 million
Gross Lease Receivables	\$71.6 million	\$99.1 million	\$112.2 million	\$111.7 million	\$108.9 million

David Kivitz, CEO of XS Financial commented: “During the first quarter, we generated record revenue and a 104% year over year improvement in net distributable earnings. Looking ahead to 2H/2023, we are focused on expanding our customer base, increasing efficiencies in operations, and expanding our relationships with our customers who have capex planned in attractive markets. While we have seen growth slow in our industry and the capital markets remain challenged, several of our customers and prospects are being selectively opportunistic and taking proactive steps to strengthen their balance sheets, including through our non-dilutive financing. Our customers and new prospects remain reliant on our leasing solutions, including our ability to fund at scale, which we expect will continue well beyond 2023.

Summary Financial Results – Three Months Ending March 31st, 2023

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

	For the three months ended March 31	
	2023	2022
Financing income and operating lease revenue	\$2,842,969	1,288,633
Operating expenses	\$2,380,335	\$1,065,960
Other expenses (income)	2,450,443	\$1,968,484
Net (loss) income	(\$1,987,809)	(\$1,745,811)
Income (loss) per share – basic	\$(.02)	\$(.02)
Weighted average shares outstanding – basic	103,885,041	103,885,041

Revenues for the quarter increased 121% to \$2,842,969 from \$1,288,633 for the same period the prior year. The increase of \$1,554,336 was attributable to revenue recognized from financing income associated with 118 new financing leases from Q1 2022 to Q1 2023.

Operating expenses for the quarter increased 123% to \$2,380,335 from \$1,065,960 for the same period the prior year. The increase was primarily the result of the increase in non-cash incentive compensation.

Other expenses for the quarter increased to \$2,450,443 from \$1,968,484 for the same period the prior year. The increase in other expense of \$481,959 was primarily attributable to an increase of \$687,000 in the financing expense offset by an 893,000 decrease in the fair value of derivative liabilities.

Net Loss for the quarter was \$1,987,809 compared to a net loss of \$1,745,811 for the first quarter of 2022.

Net Distributable Earnings

After adjusting for non-cash items, including unrealized loss in fair value change of investments, accretion expense, and stock-based compensation, including gain (loss) from lease terminations, the Company reported net distributable earnings of \$19,230 in Q1 2023 compared to \$(437,754) in Q1 2022, a 104% improvement year over year.

Summary of Net Distributable Earnings – First Quarter 2023 compared to First Quarter 2022

	Q1 2023	Q1 2022
Operating Income	462,634	222,673
Add: Depreciation Expense	4,816	4,078
Add: Noncash Equity Compensation	1,302,987	464,838
Add: Gain on Lease Termination	65,091	-
Less: Interest Expense	1,816,298	1,129,343
Net Distributable Earnings	19,230	(437,754)

XS Financials' complete annual financial statements and management's discussion and analysis for the first quarter ended March 31st, 2023, will be filed under the Company's profile on www.sedar.com, and will also be available on XS Financial's corporate website at www.xsfinancial.com/investors

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.