

XS FINANCIAL REPORTS FIRST QUARTER 2024 RESULTS

Company Generates Net Distributable Earnings of \$275,000

LOS ANGELES, CA, May 29th, 2024 – 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, 2024. All amounts are expressed in U.S. dollars unless indicated otherwise.

Q1/24 Financial Highlights:

- **6% YoY decrease in Q1 revenue** to \$2.7 million in Q1/24 from \$2.8 million in Q1/23;
- **9% YoY decrease in gross lease receivables** to \$96.2 million in Q1/24 from \$105.8 million in Q1/23;
- **1,331% YoY improvement in net distributable earnings** to \$275k in Q1/24 from \$19k in Q1/23;
- **4 new lease schedules** with Ayr Wellness resulting in closed lease transactions totaling approximately \$1.2 million.

Post-Quarter-End Portfolio and Corporate Highlights:

	Q2/23	Q3/23	Q4/23	Q1/24	As of 05/24/2024
# of Customers	16	16	16	16	16
# of Active Leases	206	222	228	232	234
Active Leases Since Inception	\$117.3mm	\$127.0mm	\$127.9mm	\$129.1mm	\$129.4mm
Average Lease Size by Customer	\$7.3mm	\$7.9mm	\$8.0mm	\$8.0mm	\$8.1mm
Monthly Recurring Payments	\$3.0mm	\$3.2mm	\$3.2mm	\$3.3mm	\$3.3mm
Gross Lease Receivables	\$111.5mm	\$113.1mm	\$104.6mm	\$96.2mm	\$90.0mm

David Kivitz, CEO of XS Financial commented: “During the first quarter, we generated net distributable earnings of \$275,311, which is a proxy for cash earnings. Looking ahead, we are focused on expanding our customer base, increasing efficiencies in operations, and optimizing our balance sheet, including refinancing our maturing debt. The company currently has \$26 million available to draw on its \$54 million commercial bank-provided line of credit, which provides sufficient liquidity for our business to continue exploring growth opportunities.”

Summary Financial Results – Three Months Ending March 31st, 2024.

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

	For the three months ended March 31st	
	2024	2023
Financing income and operating lease revenue	\$2,686,224	\$2,842,969
Operating expenses	\$913,457	\$2,380,335
Other expenses (income)	\$1,555,418	\$2,450,443
Net (loss) income	\$217,349	\$(1,987,809)
Income (loss) per share – basic	\$0.00	\$(0.02)
Weighted average shares outstanding – basic	103,885,041	103,885,041

Revenues for the quarter decreased 6% to \$2,686,244 from \$2,842,696 for the same period the prior year. The decrease of \$156,745 was attributable to a decrease in the volume of new leases added to XS’s lease portfolio between March 31, 2023 and March 31, 2024.

Operating expenses for the quarter decreased 61% to \$913,457 from \$2,380,335 for the same period the prior year. The decrease was primarily attributable to a decrease in non-cash incentive compensation as a result of expense recognition in the first quarter of 2023 from the Company's stock option grant in February 2023 and the accelerated vesting of options cancelled in March 2023.

Other expenses for the quarter decreased to \$1,555,418 from \$2,450,443 for the same period the prior year. The decrease in other expense of \$895,025 was primarily attributable to decreases in non-cash accretion expenses and financing expense for the same period of the prior year.

Net Income for the quarter was \$217,349 compared to a net loss of \$1,987,809 for the first quarter of 2023.

Net Distributable Earnings

After adjusting for non-cash items, including the unrealized loss in the fair value change of investments, accretion expense, and stock-based compensation, including gain (loss) from lease terminations, the Company reported net distributable earnings of \$275,311 in Q1 2024 compared to \$19,230 in Q1 2023, a 1,331% improvement year over year.

Summary of Net Distributable Earnings – First Quarter 2024 compared to First Quarter 2023

	Q1 2024	Q1 2023
Operating Income	\$1,772,767	\$462,634
Add: Noncash Equity Compensation	\$148,499	\$1,302,987
Add: Depreciation Expense	\$944	\$4,816
Add: Gain on Lease Termination	\$6,665	\$65,091
Less: Interest Expense	\$1,653,564	\$1,816,298
Net Distributable Earnings	\$275,311	\$19,230

XS Financials' complete annual financial statements and management's discussion and analysis for the first quarter ended March 31st 2024, 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.