

# Tenet Fintech Group Inc.

## Condensed Interim Consolidated Financial Statements (Unaudited) For the three-month periods ended March 31, 2023, and 2022



### **Financial Statements**

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## TENET FINTECH GROUP INC.

### Condensed Interim Consolidated Statements of Comprehensive Profit and Loss

For the three-month periods ended March 31, 2023, and 2022

(In Canadian dollars, except weighted average number of outstanding shares)

(Unaudited)

	Note	Three-month periods ended	
		March 31	
		2023	2022
<b>Revenues</b>		9,493,804	34,741,460
<b>Expenses</b>			
Cost of service		5,968,713	29,461,599
Software delivery services		764,205	402,355
Salaries and fringe benefits		4,214,813	2,345,268
Service fees		1,126,261	263,837
Board remuneration		95,992	191,924
Consulting fees		26,510	355,702
Outsourced services, software and maintenance		1,110,496	197,285
Professional fees		728,978	835,179
Marketing, public relations and press releases		379,145	316,072
Office supplies, software and hardware		409,155	177,058
Lease expenses		47,777	60,161
Insurance		348,886	331,646
Finance costs	18.4	335,235	48,952
Expected credit loss	5-6	21,701	87,618
Travel and entertainment		62,211	78,485
Stock exchange and transfer agent costs		32,341	45,032
Translation cost and others		11,132	26,020
Depreciation of property and equipment	7	26,718	21,551
Depreciation of right-of-use assets	7	198,748	109,782
Amortization of intangible assets	9	2,094,690	1,502,347
Amortization of financing issuance costs	12-13	51,535	6,551
Change in fair value of contingent consideration payable	4.1	75,820	398,031
Loss on investment in associate company	8	18,029	-
Loss on foreign exchange		20,182	134,424
		18,169,273	37,396,879
Loss before income taxes		(8,675,469)	(2,655,419)
Income taxes		29,216	704,182
Net loss		(8,704,685)	(3,359,601)
Net profit (loss) attributable to:			
Non-controlling interest		(269,528)	22,670
Owners of the parent		(8,435,157)	(3,382,271)
		(8,704,685)	(3,359,601)
<b>Item that will be reclassified subsequently to profit or loss</b>			
Currency translation adjustment		127,433	(760,601)
<b>Total comprehensive loss</b>		<b>(8,577,252)</b>	<b>(4,120,202)</b>
<b>Total comprehensive loss attributable to:</b>			
Non-controlling interest		(285,190)	(17,577)
Owners of the parent		(8,292,062)	(4,102,625)
		(8,577,252)	(4,120,202)
Weighted average number of outstanding shares		99,544,183	75,700,826
Basic and diluted loss per share		(0.085)	(0.045)

Going concern uncertainty (note 2)

Subsequent events (note 24)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**TENET FINTECH GROUP INC.**
**Condensed Interim Consolidated Statements of Changes in Equity**

For the three-month periods ended March 31, 2023, and 2022

(In Canadian dollars)

(Unaudited)

	Capital stock			Equity to issue	Contributed surplus	Equity component of convertible debentures	Accumulated other comprehensive income	Deficit	Total attributable to owners of parent	Non controlling interest	Shareholders' equity
	Note	Number of common shares	Amount								
<b>Balance as at January 1, 2023</b>		99,544,183	211,232,131	-	23,356,969	221,465	625,212	(133,089,887)	102,345,890	15,261,978	117,607,868
Equity component of convertible debentures	12.2	-	-	-	504,901	353,172	-	-	858,073	-	858,073
Issuance costs - equity component of convertible debentures	12.2	-	-	-	(44,201)	(30,918)	-	-	(75,119)	-	(75,119)
Deferred tax - equity component of convertible debentures		-	-	-	(110,372)	(77,204)	-	-	(187,576)	-	(187,576)
Issuance of broker compensation warrants	12.2	-	-	-	77,632	-	-	-	77,632	-	77,632
Share-based compensation	16	-	-	-	222,421	-	-	-	222,421	-	222,421
Subscription for shares by non-controlling interests	21	-	-	-	-	-	-	-	-	56,797	56,797
Transactions with owners		99,544,183	211,232,131	-	24,007,350	466,515	625,212	(133,089,887)	103,241,321	15,318,775	118,560,096
Net loss		-	-	-	-	-	-	(8,435,157)	(8,435,157)	(269,528)	(8,704,685)
Other comprehensive profit (loss)		-	-	-	-	-	143,095	-	143,095	(15,662)	127,433
Total comprehensive gain (loss) for the year		-	-	-	-	-	143,095	(8,435,157)	(8,292,062)	(285,190)	(8,577,252)
<b>Balance as at March 31, 2023</b>		99,544,183	211,232,131	-	24,007,350	466,515	768,307	(141,525,044)	94,949,259	15,033,585	109,982,844

  

	Capital stock			Equity to issue	Contributed surplus	Equity component of convertible debentures	Accumulated other comprehensive income	Deficit	Total attributable to owners of parent	Non controlling interest	Shareholders' equity
	Note	Number of common shares	Amount								
<b>Balance as at January 1, 2022</b>		97,167,183	208,219,490	150,000	21,531,185	-	1,366,752	(79,997,442)	151,269,985	14,320,381	165,590,366
Exercise of warrants and broker warrants		1,527,500	2,101,894	(150,000)	(443,144)	-	-	-	1,508,750	-	1,508,750
Exercise of options	15-16	100,000	391,300	-	(181,300)	-	-	-	210,000	-	210,000
Share-based compensation	16	-	-	-	541,599	-	-	-	541,599	-	541,599
Subscription for shares by non-controlling interests	21	-	-	-	-	-	-	-	-	164,418	164,418
Transactions with owners		98,794,683	210,712,684	-	21,448,340	-	1,366,752	(79,997,442)	153,530,334	14,484,799	168,015,133
Net profit (loss)		-	-	-	-	-	-	(3,382,271)	(3,382,271)	22,670	(3,359,601)
Other comprehensive loss		-	-	-	-	-	(720,354)	-	(720,354)	(40,247)	(760,601)
Total comprehensive gain (loss) for the year		-	-	-	-	-	(720,354)	(3,382,271)	(4,102,625)	(17,577)	(4,120,202)
<b>Balance as at March 31, 2022</b>		98,794,683	210,712,684	-	21,448,340	-	646,398	(83,379,713)	149,427,709	14,467,222	163,894,931

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**TENET FINTECH GROUP INC.**
**Condensed Interim Consolidated Statements of Cash Flows**

For the three-month periods ended March 31, 2023, and 2022

(In Canadian dollars)

(Unaudited)

	Note	Three-month periods ended	
		March 31	
		2023	2022
<b>OPERATING ACTIVITIES</b>			
Net loss		(8,704,685)	(3,359,601)
Non-cash items			
Expected credit loss	5-6.1	21,701	87,618
Depreciation of property and equipment	7	26,718	21,551
Depreciation of right-of-use assets	7	198,748	109,782
Amortization of intangible assets	9	2,094,690	1,502,347
Amortization of financing issuance costs	12.1-13	51,535	6,551
Accretion on debentures and bonds	12-13	160,092	7,614
Accretion of lease interest	11-18.4	56,552	37,133
Interest income on deposit		(1,180)	-
Change in fair value of contingent consideration payable		75,820	398,031
Share-based compensation	16	222,421	541,599
Deferred tax assets and liabilities		(16,161)	(3,623,295)
Loss on investment in associate company		18,029	-
Loans receivable maturing in more than 12 months	5	299,067	820,056
Net changes in working capital items			
Restricted cash		10,000	10,000
Income tax payable		(67,338)	3,711,958
Accounts receivable	6.1	(1,161,840)	(1,330,948)
Deposits made for transactions on platforms	6.2	598,334	5,154,909
Prepayments to third party subcontractors	6.1	1,926,553	(2,299,695)
Other debtors	6.1	125,386	1,139,804
Loans receivable maturing in less than 12 months	5	(306,111)	(706,752)
Assets held for sale		6,177	69,687
Other prepaid expenses		491,841	4,622
Trade accounts payable and accruals	10	2,889,039	(755,692)
Advances from third-party customers		(674,218)	(3,009,957)
Contract liabilities with third-party customers		(151,699)	2,706,424
Cash flows from operating activities		(1,810,529)	1,243,746
<b>INVESTING ACTIVITIES</b>			
Investments	8	(492,500)	(492,750)
Property and equipment - Addition	7	(741,477)	(16,897)
Property and equipment - Disposal	7	-	2,344
Intangible assets - additions	9	(2,487,360)	(1,520,489)
Cash flows from investing activities		(3,721,337)	(2,027,792)
<b>FINANCING ACTIVITIES</b>			
Repayments of lease liabilities	11	(127,490)	(76,667)
Proceeds from the issuance of convertible debentures and warrants, net of related issuance costs	12	5,290,350	-
Proceeds from the exercise of warrants	15	-	1,508,750
Cash flow from financing activities		5,162,860	1,596,501
<b>IMPACT OF FOREIGN EXCHANGE</b>			
		61,996	(645,104)
<b>Net increase in cash (decrease)</b>		(307,010)	167,351
Cash, beginning of the period		3,223,370	18,796,914
Cash, end of the period		2,916,360	18,964,265

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**TENET FINTECH GROUP INC.**

**Condensed Interim Consolidated Statements of Financial Position**

As at March 31, 2023 and December 31, 2022

(In Canadian dollars)

(Unaudited)

	Note	As at March 31, 2023	As at December 31, 2022
<b>ASSETS</b>			
Current			
Cash		2,916,360	3,223,370
Restricted cash	4.1-13	203,667	212,967
Loans receivable	5	16,460,965	16,154,854
Assets held for sale		301,904	308,081
Debtors	6.1	25,309,092	28,149,428
Deposits made for transactions on platforms	6.2	26,241,543	26,839,877
Prepaid expenses and other current assets		1,380,253	1,872,094
		72,813,784	76,760,671
Loans receivable	5	716,254	1,039,989
Deposit		77,654	76,474
Property and equipment	7	3,932,792	3,410,832
Investments	8	1,526,609	1,048,337
Intangible assets	9	32,463,481	32,011,270
Goodwill	9	26,609,797	26,609,797
Foreign deferred tax assets		326,258	310,097
		138,466,629	141,267,467
<b>LIABILITIES</b>			
Current			
Accounts payable, advances and accrued liabilities	10	12,989,569	10,926,447
Lease liabilities	11	506,651	493,852
Bonds	13	389,487	373,547
CEBA Loan	14	100,000	100,000
Current tax liabilities		4,044,668	4,112,006
		18,030,375	16,005,852
Debentures	12	4,725,355	2,109,903
Lease liabilities	11	2,543,154	2,622,339
Canadian deferred tax liability		1,226,871	1,039,295
Contingent consideration payable	4.1	1,958,030	1,882,210
		28,483,785	23,659,599
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	15	211,232,131	211,232,131
Contributed surplus		24,007,350	23,356,969
Equity component of convertible debentures		466,515	221,465
Accumulated other comprehensive income		768,307	625,212
Deficit		(141,525,044)	(133,089,887)
Shareholders' equity attributable to owners of the parent		94,949,259	102,345,890
Non-controlling interest		15,033,585	15,261,978
Total shareholders' equity		109,982,844	117,607,868
		138,466,629	141,267,467

Going concern uncertainty (note 2)

Subsequent events (note 24)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

On behalf of the Board,

/S/ Carol Penhale  
Director

/S/ Paul Gibbons  
Director

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2023, and 2022

(In Canadian dollars)

(Unaudited)

#### 1 - GOVERNING STATUTES, NATURE OF OPERATIONS AND GENERAL INFORMATION

Tenet Fintech Group Inc. (hereinafter "Tenet" or the "Company"), formerly named Peak Fintech Group Inc. until November 1, 2021, was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on May 13, 2008, and continued under the Canada Business Corporations Act on April 4, 2011. Tenet Fintech Group Inc.'s head office is located at 119 Spadina Avenue, Suite 705, Toronto, Ontario. Its shares are traded on the Canadian Stock Exchange (CSE) under the symbol "PKK". Its shares are quoted in the U.S. on the OTC Market's Groups (OTCQX) under the symbol "PKKFF".

Tenet is the parent company of innovative artificial intelligence (AI) and financial technology (Fintech) subsidiaries operating in Canada and China. Tenet's subsidiaries use technology, analytics and artificial intelligence to create an ecosystem of small and medium-sized enterprises (SMEs) to carry out a range of interactions and transactions, including in the commercial lending space, in a rapid, safe, efficient, and transparent manner.

#### 2 - GOING CONCERN UNCERTAINTY AND COVID-19

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation and be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The use of these principles may not be appropriate.

The level of cash flows generated from operating activities is currently insufficient to meet the Company's working capital requirements and business growth initiatives. The Company's ability to continue as a going concern depends upon its ability to raise additional financing. Even if the Company has been successful in the past in doing so, including financing by a prospectus that generated a net cash inflow of \$47,981,290 in the third quarter of 2021 and a private placement in the fourth quarter of 2022 and first quarter of 2023, there is no assurance that it will manage to obtain additional financing in the future. Also, the Company incurred a net loss of \$8,704,685 for the three-month period ended March 31, 2023 (year ended December 31, 2022 - \$53,013,185), it has an accumulated deficit of \$141,525,044 as at March 31, 2023 (year ended December 31, 2022 - \$133,089,887) and it has not yet generated positive cash flows from operations on a regular basis. Until that happens, the Company will continue to assess its working capital needs and undertake whatever initiatives it deems necessary to ensure that it continues to be in a position to meet its financial obligations. These material uncertainties may cast significant doubt regarding the Company's ability to continue as a going concern.

Since the COVID-19 global pandemic outbreak, many businesses worldwide have seen their operations negatively impacted by the health and safety measures, including limitations on the movement of goods and individuals, put into place by local governments to help control the spread of the outbreak. Although those measures have been relaxed in recent months, there still remains a great deal of uncertainty as to the extent and duration of the future impact of COVID-19 on global commerce and the Company's business. Moreover, China, in particular, has occasionally taken strong measures to try to curb the spread of the virus and protect its citizens. In doing so, there has been an impact on the economic activities of many of its regions. Given that the Company has significant operations in China, any such measures may have an adverse impact on the Company's revenues and cash resources, ability to expand its business, access to suppliers, partners, and customers, and ability to carry on its day-to-day operations without interruption.

These condensed interim financial statements do not include any adjustments or disclosures that may be necessary should the Company not be able to continue as a going concern. If this were the case, these adjustments could be material.

#### 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 3.1 Statement of compliance with IFRS

These condensed interim consolidated financial statements for the three-month period ended March 31, 2023, have been prepared in accordance with IAS 34 "Interim Financial Reporting". Since they are condensed financial statements, certain information and note disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been voluntarily omitted or summarized.

The preparation of financial statements in accordance with IAS 34 requires the use of certain accounting estimates and requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements have been set out in note 5 of the Company's consolidated financial statements for the year ended December 31, 2022. There have not been any significant changes in judgments, estimates or assumptions since then. These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2022.

The same accounting policies and methods of computation were used in the preparation of these condensed interim consolidated financial statements as were followed in the preparation of the consolidated financial statements for the year ended December 31, 2022 except for new standards and interpretations effective January 1, 2023.

These condensed interim consolidated financial statements for the three-month periods ended March 31, 2023, and 2022 were approved and authorized for the issue by the Board of Directors on May 26, 2023.

##### 3.2 Basis of measurement

These condensed interim consolidated financial statements are prepared on an accrual basis using the historical cost method.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2023, and 2022

(In Canadian dollars)

(Unaudited)

#### 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.3 Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of Tenet and all of its subsidiaries. The Company attributes the total comprehensive profit or loss of the subsidiaries between the owners of the parent company and the non-controlling interests based on their respective ownership interests.

The following entities have been consolidated within these condensed interim consolidated financial statements:

Entities	Registered	% of ownership and voting right	Principal activity	Functional Currency
Tenet Fintech Group Inc.	Canada		Holding and parent company	Canadian dollar
Cubeler Inc.	Canada	100%	Technology based product developer and procurement facilitator	Canadian dollar
Tenoris 3 Inc.	Canada	100%	Technology based product developer and procurement facilitator	Canadian dollar
Asia Synergy Limited ("ASL")	Hong Kong	100%	Holding	US dollar
Asia Synergy Holdings Ltd. ("ASH")	China	100%	Holding	Renminbi
Asia Synergy Technologies Ltd. ("AST")	China	100%	Technology based product procurement facilitator	Renminbi
Asia Synergy Supply Chain Ltd. ("ASSC")	China	51%	Technology based product procurement facilitator	Renminbi
Zhejiang Xinjiupin - Oil & Gas Management Co. ("AJPP")	China	100%	Technology based product procurement facilitator	Renminbi
Asia Synergy Data Solutions Ltd. ("ASDS")	China	100%	Fintech	Renminbi
Asia Synergy Credit Solutions Ltd. ("ASCS")	China	100%	Credit outsourcing services	Renminbi
Asia Synergy Supply-chain Technologies Ltd. ("ASST")	China	100%	Supply chain services	Renminbi
Beijing Xinxiangtaike Technologies Service Co., Ltd. ("ASSI")	China	100%	Fintech	Renminbi
Wuxi Aorong Ltd. ("AORONG")	China	100%	Holding	Renminbi
Asia Synergy Financial Capital Ltd. ("ASFC")	China	51%	Financial institution	Renminbi
Huikete Internet Technology Co., Ltd. ("HUIKE")	China	100%	Technology based product facilitator	Renminbi
Wechain (Nanjing) Technology Service Co., Ltd. ("WECHAIN")	China	51%	Fintech	Renminbi
Kalifeng New Energy Technology Co., Ltd. ("KALIFENG")	China	51%	Technology based clean energy trading platform facilitator	Renminbi
Shanghai Xinhuzhi Supply Chain Management Ltd. ("ASAC")	China	51%	Technology based product procurement facilitator	Renminbi
Tianjin Wodatong Technology Co., Ltd. ("ASB")	China	100%	Fintech	Renminbi
Jiangsu Supairui IOT Technology Co., Ltd. ("ASTH")	China	80%	Technology based product procurement facilitator	Renminbi
Wuxi Suyetong Supply Chain Management Co., Ltd. ("SST")	China	80%	Technology based product procurement facilitator	Renminbi
Jiangsu Steel Chain Technology Co., Ltd. ("STEELCHAIN")	China	100%	Technology based steel trading platform facilitator	Renminbi

The Company's subsidiaries each have an annual reporting date of December 31 and are incorporated in either Canada, Hong Kong or China. All intercompany transactions and accounts were eliminated upon consolidation, including unrealized gains or losses on intercompany transactions. Where unrealized losses on intercompany asset sales are reversed upon consolidation, the underlying asset is also tested for impairment from the Company's perspective. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

Profit or loss of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

##### 3.4 Foreign currency translation

###### Functional and presentation currency

The condensed interim consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company.

#### 4 - BUSINESS COMBINATIONS

##### 4.1 Subsequent Accounting

At each reporting date, the Company revises its estimations of the fair value of the contingent considerations payable under the Heartbeat and Steelchain acquisitions and records gains or losses through the change in fair value of contingent consideration payable reported in the consolidated profit and loss statement. The reevaluation process takes into account the reporting date management assumptions of the Heartbeat and Steelchain expected financial performance compared to agreed up to date targets and discounts the results accordingly.

As at March 31, 2023, the Company revalued the contingent consideration payable related to the Heartbeat and Steelchain acquisitions resulting in a loss of \$Nil (March 31, 2022 - \$398,031) and a loss of \$75,820 (March 31, 2022 - \$Nil) respectively which were recorded in the consolidated statements of comprehensive profit and loss. The value of the contingent consideration payables were estimated at, respectively, \$Nil and \$1,958,030 (December 31, 2022 - \$Nil and \$1,882,210) for the Heartbeat and Steelchain acquisitions.

As at March 31, 2023, the balance of cash reserved for one of its upstream supply chain suppliers during the normal course of operations and recorded as restricted cash in the condensed interim consolidated financial statements was \$197,000.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2023, and 2022

(In Canadian dollars)

(Unaudited)

#### 5 - LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

One of the Company's subsidiaries in China, Asia Synergy Financial Capital ("ASFC"), provides various financial services to small and medium-sized enterprises.

ASFC provides loans that are either guaranteed by a third party, collateral assets or a combination of both. The loans secured with collateral are either secured by second-hand vehicles or by the residential property of the borrower. Loans not guaranteed by collateral assets are guaranteed by a third party.

##### *Loans guaranteed by second-hand vehicles*

The second-hand vehicles are valued by the company credit department before approving a loan. The loan value at inception typically represents between 40% to 80% of the collateral value. The second-hand vehicles' collateral values are evaluated at the beginning of the loan and periodically during the life of the loan, based on an industry-recognized used car guide validated by company personnel, their knowledge, experience and the inspection process before approval of the loan.

##### *Loans guaranteed by second rank mortgage on residential property*

Before approving a loan, the Company's credit department will assess the value of any other mortgages taken out on the residential property and put it as collateral by the prospective borrower. The loan value at inception typically represents between 25% and 50% of the collateral value exceeding the first-rank mortgage taken by the borrower. The value of the residential property is evaluated at the beginning of the loan and periodically during the life of the loan based on a residential broker site, which is validated by the Company personnel, their knowledge, experience and inspection process before approval of the loan.

All the loans secured by collateral assets are registered on the appropriate government-regulated system.

##### *Credit Loans guaranteed by a third party*

The Company makes loans to small and medium enterprises in the technology sector. Before approving a loan, the Company performs an initial credit evaluation of the borrower. The credit evaluation includes the review of the borrower company's credit profile, operating performance, financial statements, tax payments & receipt records, shareholders' structure and their individual credit rating. Based on this initial evaluation, the Company will then proceed to sign a loan agreement with the SME borrowers. To mitigate the default risk in the case of any overdue situation incurred regarding these credit loans, a letter of guarantee must also be signed before the loan is finally granted to SME borrowers. Accordingly, a third party must agree to provide a full guarantee to cover any overdue principal and interest on behalf of the borrowers. The company will also perform ongoing monitoring of SME borrowers in the tech industry through visits, phone calls and follow-up on business model developments.

For the majority of loans granted, principal and interest are payable by the borrower every month.

Loans receivable are summarized as follows:

	2023	2022
	March 31	December 31
Principal balance loans receivable	17,719,351	17,712,396
Less expected credit loss (ECL)	(542,132)	(517,553)
Loans receivable net	17,177,219	17,194,843
Loans receivable maturing in less than 12 months	16,460,965	16,154,854
Loans receivable maturing in more than 12 months	716,254	1,039,989
	17,177,219	17,194,843

##### *Impaired loans and allowances for credit loss*

The Company performed a three-stage forward-looking impairment approach to its loan portfolio to measure the expected credit loss as described in detail in note 4.11 of the annual consolidated financial statements for the year ended December 31, 2022.



## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2023, and 2022

(In Canadian dollars)

(Unaudited)

#### 5 - LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

##### Credit quality of loans

The following table presents the gross carrying amount of loans receivable as at March 31, 2023, and December 31, 2022, according to credit quality and ECL impairment stages.

ECL is calculated at the end of the period on loans that are not insured by a third party with an assumption of a credit loss allocation provision applied as follows:

		Credit Loss Allocation Applied		
		Autos	Residential Property	Credit and Supply Chain Finance Credit
Stage 1 : 1%		1.0%	1.0%	2.0%
Stage 2: 30%		6.8%	1.0%	2.0%
Stage 3: 100%		50.0%	1.0%	2.0%
		Gross Carrying Amount	Allowance for Credit Loss	Net Carrying Amount
<b>March 31, 2023</b>	<b>%</b>			
Stage 1: Not overdue <= 30 Days	90.5%	16,038,331	(3,185)	16,035,146
Stage 2: Overdue 30-90 days	0.0%	-	-	-
Stage 3: Overdue > 90 days	9.5%	1,681,019	(538,946)	1,142,073
	100.0%	17,719,350	(542,131)	17,177,219
		Gross Carrying Amount	Allowance for Credit Loss	Net Carrying Amount
<b>December 31, 2022</b>	<b>%</b>			
Stage 1: Not overdue <= 30 Days	88.7%	15,709,351	(3,117)	15,706,234
Stage 2: Overdue 30-90 days	1.1%	199,181	(598)	198,583
Stage 3: Overdue > 90 days	10.2%	1,803,864	(513,838)	1,290,026
	100.0%	17,712,396	(517,553)	17,194,843

The loss allowance for loans to customers as at March 31, 2023, broken down by product type, reconciles to the opening loss allowance for that provision as follows:

	Product Type - Autos			Total ECL
	Stage 1	Stage 2	Stage 3	
<b>Loss allowance as at January 1, 2023</b>	1	-	506,951	506,952
Originations net of repayments and other derecognitions	(1)	-	(28,608)	(28,609)
Net remeasurement	-	-	47,959	47,959
Foreign exchange and other	-	-	6,490	6,490
<b>Loss allowance as at March 31, 2023</b>	-	-	532,792	532,792
	Product Type - Residential property			Total ECL
	Stage 1	Stage 2	Stage 3	
<b>Loss allowance as at January 1, 2023</b>	24	598	6,887	7,509
Originations net of repayments and other derecognitions	(2)	(488)	(1,130)	(1,620)
Net remeasurement	-	-	261	261
Transfers				
- to lifetime ECL credit-impaired	-	(112)	112	-
Foreign exchange and other	(1)	2	24	25
<b>Loss allowance as at March 31, 2023</b>	21	(0)	6,154	6,175
	Product Type - Credit & Supply Chain Finance Credit			Total ECL
	Stage 1	Stage 2	Stage 3	
<b>Loss allowance as at January 1, 2023</b>	3,092	-	-	3,092
Originations net of repayments and other derecognitions	58	-	-	58
Foreign exchange and other	14	-	-	14
<b>Loss allowance as at March 31, 2023</b>	3,164	-	-	3,164

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 5 - LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The loss allowance for loans to customers as at December 31, 2022, broken down by product type, reconciles to the opening loss allowance for that provision as follows:

	Product Type - Autos			Total ECL
	Stage 1	Stage 2	Stage 3	
<b>Loss allowance as at January 1, 2022</b>	1	1,618	150,126	151,745
Originations net of repayments and other derecognitions	(21)	(590)	(33,095)	(33,706)
Net remeasurement	(0)	-	371,905	371,905
Transfers				
- to lifetime ECL credit-impaired	-	(308)	308	-
Write-offs	-	-	44,797	44,797
Foreign exchange and other	21	(720)	(27,090)	(27,789)
<b>Loss allowance as at December 31, 2022</b>	<b>1</b>	<b>-</b>	<b>506,951</b>	<b>506,952</b>

	Product Type - Residential property			Total ECL
	Stage 1	Stage 2	Stage 3	
<b>Loss allowance as at January 1, 2022</b>	207	1,382	9,756	11,345
Originations net of repayments and other derecognitions	(153)	(711)	(5,576)	(6,440)
Net remeasurement	-	578	1,513	2,091
Transfers				
- to lifetime ECL performing	(20)	20	-	-
- to lifetime ECL credit-impaired	(7)	(648)	655	-
Foreign exchange and other	(3)	(23)	539	513
<b>Loss allowance as at December 31, 2022</b>	<b>24</b>	<b>598</b>	<b>6,887</b>	<b>7,509</b>

	Product Type - Credit & Supply Chain Finance Credit			Total ECL
	Stage 1	Stage 2	Stage 3	
<b>Loss allowance as at January 1, 2022</b>	3,154	-	-	3,154
Originations net of repayments and other derecognitions	(14)	-	-	(14)
Foreign exchange and other	(48)	-	-	(48)
<b>Loss allowance as at December 31, 2022</b>	<b>3,092</b>	<b>-</b>	<b>-</b>	<b>3,092</b>

#### 6 - DEBTORS AND DEPOSITS MADE FOR TRANSACTIONS ON PLATFORMS

##### 6.1 Debtors

	2023		2022	
	March 31	December 31	March 31	December 31
Sales tax receivable	1,010,640	1,013,910		
Advances to companies	17,108	141,679		
Accounts receivable	18,479,933	17,315,127		
Subscriptions receivable from non-controlling interests	1,059,153	1,002,356		
Promissory notes (1)	249,880	247,425		
Subscriptions receivable of convertible debentures (note 12.1)	-	2,010,000		
Prepayments to third party subcontractors (2)	4,492,378	6,418,931		
	<b>25,309,092</b>	<b>28,149,428</b>		

(1) On December 15, 2021, loans were issued to two board members of the Company in the amounts of \$72,793 and \$40,400. On June 3, 2022, an additional loan was issued to another board member of \$130,462. The loans were respectively due on December 15, 2022 and December 31, 2022, and bear interest at the quarterly prescribed variable rate. As at March 31, 2023, the aggregate outstanding principal amount due for said loans is \$249,880 (December 31, 2022 - \$247,425). As the loans have expired, the Company is in the process of negotiating repayment terms to be agreed with each current and past board member.

(2) Subsidiaries of the Company active in supply chain activity made prepayments to suppliers to support operational supply chain processes. These prepayments will be reverted to Company's subsidiaries when services or merchandise transactions are executed.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 6 - DEBTORS AND DEPOSITS MADE FOR TRANSACTIONS ON PLATFORMS (CONTINUED)

##### 6.2 Deposits made for transactions on platforms

	2023 March 31	2022 December 31
Deposits made for transactions on platforms with guarantee (1)	25,719,493	26,339,312
Deposits made for transactions on platforms (2)	522,050	500,565
	26,241,543	26,839,877

(1) As per agreements signed with third parties, subsidiaries of the Company have provided deposits to facilitate capital support from financial institutions such as banks and lenders in mainland China.

The financial institutions provide financing solutions to the Company's customers to fund transactions on the GoldRiver platform and operational expenses related to the expansion and set-up of their supply chain network.

All depending on the nature of the transaction, as collateral and in the event of default, the Company obtains a contractual right to claim 10% to 20% of the majority of the merchandise transacted on the platform and a guarantee on the pool of accounts receivable balances from downstream corporate operators and distributors that are related to business transactions on the GoldRiver platform.

(2) As per agreements signed with third parties, subsidiaries of the Company have provided deposits in order to facilitate capital support from financial institutions such as banks and lenders in mainland China.

Debtors and deposits made for transactions on platforms' amounts are presented on the consolidated statements of financial position net of the allowance for expected credit loss. When measuring the expected credit losses, other debtors, advances to companies, accounts receivable, safety deposits with a guarantor, subscriptions receivable from non-controlling interests, promissory notes, prepayment to third party subcontractors, and deposits made for transactions on platforms are assessed individually due to the low number of accounts. The expected loss rates are based on the payment profile of debtors taking into consideration third party guarantees on payment and any reasonable expectation of recovery.

Debtors and deposits made for transactions on platforms are written off (i.e. de-recognized) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Issuer on alternative payment arrangements, amongst other things, are considered indicators of no reasonable expectation of recovery. As at March 31, 2023, a recovery of \$2,966 (March 31, 2021 - loss of \$40) was recorded related to debtors as expected credit loss in the consolidated statements of comprehensive profit and loss.

#### 7 - PROPERTY AND EQUIPMENT

	Right-of-Use Assets	IT & Office Equipment	Leasehold Improvement (1)	Vehicles & Other Equipment	Total
<b>Gross carrying amount</b>					
Balance as at January 1, 2023	5,050,741	282,042	-	215,463	5,548,246
Additions	-	342,221	399,256	-	741,477
<b>Balance as at March 31, 2023</b>	<b>5,050,741</b>	<b>624,263</b>	<b>399,256</b>	<b>215,463</b>	<b>6,289,723</b>
<b>Accumulated amortization</b>					
Balance as at January 1, 2023	1,830,798	156,195	-	150,421	2,137,414
Depreciation	198,748	14,952	-	11,766	225,466
Exchange differences	(4,801)	(1,002)	-	(146)	(5,949)
<b>Balance as at March 31, 2023</b>	<b>2,024,745</b>	<b>170,145</b>	<b>-</b>	<b>162,041</b>	<b>2,356,931</b>
<b>Net carrying amount as at March 31, 2023</b>	<b>3,025,996</b>	<b>454,118</b>	<b>399,256</b>	<b>53,422</b>	<b>3,932,792</b>
<b>Gross carrying amount</b>					
Balance as at January 1, 2022	3,067,626	201,858	-	191,393	3,460,877
Amounts acquired in a business combination	106,552	53,755	-	-	160,307
Adjustments	19,626	-	-	-	19,626
Additions	1,859,529	26,429	-	24,070	1,910,028
Disposals	(2,592)	-	-	-	(2,592)
<b>Balance as at December 31, 2022</b>	<b>5,050,741</b>	<b>282,042</b>	<b>-</b>	<b>215,463</b>	<b>5,548,246</b>
<b>Accumulated amortization</b>					
Balance as at January 1, 2022	1,186,255	110,873	-	101,736	1,398,864
Adjustments	1,153	-	-	-	1,153
Depreciation	615,179	42,417	-	47,247	704,843
Exchange differences	28,211	2,905	-	1,438	32,554
<b>Balance as at December 31, 2021</b>	<b>1,830,798</b>	<b>156,195</b>	<b>-</b>	<b>150,421</b>	<b>2,137,414</b>
<b>Net carrying amount as at December 31, 2022</b>	<b>3,219,943</b>	<b>125,847</b>	<b>-</b>	<b>65,042</b>	<b>3,410,832</b>

(1) Leasehold improvements are initially recorded at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management. Leasehold improvements are subsequently measured at cost less accumulated depreciation and impairment.

Depreciation is recognized on a straight-line basis using rates based on the estimated useful lives of the asset as follows:

	Useful life
Leasehold improvement	10 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2023, and 2022

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#### 8 - INVESTMENTS

	2023	2022
	March 31	December 31
Associate company (1)	49,109	66,836
Other equity investments (2,3)	1,477,500	981,500
	1,526,609	1,048,336

- (1) The Company holds, through its ASFC subsidiary, a 26% equity interest in Wuxi Deyuan Management Consulting Co., Ltd. ("DEYUAN"), a China-registered company that provides credit outsourcing services. During the three-month period ending March 31, 2023, Tenet recognized \$18,029 as a loss on investment in associate company (March 31, 2022 - \$Nil) in relation to DEYUAN.
- (2) The Company holds, through its ASDS subsidiary, a 25% equity interest in Jiangyin Xinshang Enterprise Management Partnership ("AXS"), a China-registered company that provides payment services. The equity investment is valued at \$492,500 as at March 31, 2023.
- (3) The Company holds, through its ASFC subsidiary, a 5% equity interest in Wuxi Xincheng Venture Capital Partnership ("AVC"), a China-registered investment partnership. During the three-month period ending March 31, 2023, the Company injected an additional \$492,500 into the investment as part of the commitment agreement per the shareholding agreement. The equity investment is valued at \$985,000 as at March 31, 2023.

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#### 9 - INTANGIBLE ASSETS AND GOODWILL

The carrying value of the intangible assets as at March 31, 2023 and December 31, 2022, were as follows:

	Loan Servicing Agreement	Gold River Platform	System Integration Platform (Formerly called Cubeler Interface)	Cubeler Platform	Other ERP Platforms	Heartbeat Platform	Tradenames	Total intangible assets
<b>Gross carrying amount</b>								
Balance as at January 1, 2023	1,430,000	13,820,146	2,296,622	24,924,238	5,622,941	9,887,502	5,287,000	63,268,449
Addition	–	1,620,719	49,802	–	628,963	187,876	–	2,487,360
<b>Balance as at March 31, 2023</b>	<b>1,430,000</b>	<b>15,440,865</b>	<b>2,346,424</b>	<b>24,924,238</b>	<b>6,251,904</b>	<b>10,075,378</b>	<b>5,287,000</b>	<b>65,755,809</b>
<b>Accumulated amortization and impairment loss</b>								
Balance as at January 1, 2023	572,000	4,688,094	1,187,351	14,731,337	1,082,879	5,822,024	3,173,494	31,257,179
Amortization	35,750	911,852	81,803	377,515	356,252	258,367	73,151	2,094,690
Exchange differences	–	(37,260)	(3,938)	–	(11,302)	(7,041)	–	(59,541)
<b>Balance as at March 31, 2023</b>	<b>607,750</b>	<b>5,562,686</b>	<b>1,265,216</b>	<b>15,108,852</b>	<b>1,427,829</b>	<b>6,073,350</b>	<b>3,246,645</b>	<b>33,292,328</b>
<b>Net carrying amount as at March 31, 2023</b>	<b>822,250</b>	<b>9,878,179</b>	<b>1,081,208</b>	<b>9,815,386</b>	<b>4,824,075</b>	<b>4,002,028</b>	<b>2,040,355</b>	<b>32,463,481</b>
<b>Gross carrying amount</b>								
Balance as at January 1, 2021	1,430,000	6,716,321	2,084,893	23,862,000	2,438,061	8,368,063	5,287,000	50,186,338
Amounts arising from business combinations	–	–	–	–	1,495,718	–	–	1,495,718
Addition	–	7,103,825	211,729	1,062,238	2,056,527	1,152,074	–	11,586,393
Transferred in (out)	–	–	–	–	(367,365)	367,365	–	–
<b>Balance as at December 31, 2022</b>	<b>1,430,000</b>	<b>13,820,146</b>	<b>2,296,622</b>	<b>24,924,238</b>	<b>5,622,941</b>	<b>9,887,502</b>	<b>5,287,000</b>	<b>63,268,449</b>
<b>Accumulated amortization and impairment loss</b>								
Balance as at January 1, 2021	429,000	2,692,565	643,496	10,228,688	81,730	410,966	2,854,095	17,340,540
Amortization	143,000	1,908,080	512,117	1,767,420	946,721	1,167,756	319,399	6,764,493
Impairment loss on intangible	–	–	–	2,735,229	–	4,218,826	–	6,954,055
Exchange differences	–	87,449	31,738	–	54,428	24,476	–	198,091
<b>Balance as at December 31, 2022</b>	<b>572,000</b>	<b>4,688,094</b>	<b>1,187,351</b>	<b>14,731,337</b>	<b>1,082,879</b>	<b>5,822,024</b>	<b>3,173,494</b>	<b>31,257,179</b>
<b>Net carrying amount as at December 31, 2022</b>	<b>858,000</b>	<b>9,132,052</b>	<b>1,109,271</b>	<b>10,192,901</b>	<b>4,540,062</b>	<b>4,065,478</b>	<b>2,113,506</b>	<b>32,011,270</b>

## TENET FINTECH GROUP INC.

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#### 9 - INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The carrying value of the goodwill components by CGU as at March 31, 2023, and December 31, 2022, were as follows:

	Heartbeat	Cubeler	Supply Chain Steelchain	Total goodwill
Balance as at January 1, 2023	17,238,835	8,329,255	1,041,707	26,609,797
<b>Balance as at March 31, 2023</b>	<b>17,238,835</b>	<b>8,329,255</b>	<b>1,041,707</b>	<b>26,609,797</b>
Balance as at January 1, 2022	18,495,409	44,027,145	-	62,522,554
Amounts arising from business combinations	-	-	1,041,707	1,041,707
Impairment loss on goodwill	-	(35,697,890)	-	(35,697,890)
Finalization of purchase price allocation adjustment	(1,256,574)	-	-	(1,256,574)
<b>Balance as at December 31, 2022</b>	<b>17,238,835</b>	<b>8,329,255</b>	<b>1,041,707</b>	<b>26,609,797</b>

#### 10 - ACCOUNTS PAYABLE, ADVANCES AND ACCRUED LIABILITIES

	2023 March 31	2022 December 31
Trade accounts payable and accruals	9,156,545	6,267,506
Advance from third-party customers, no interest	18,385	170,084
Contract liabilities with third-party customers, no interest (1,2)	3,814,639	4,488,857
	<b>12,989,569</b>	<b>10,926,447</b>

(1) Advance from downstream corporative clients for supply chain bundle service fee.

(2) The table below summarizes the significant changes in contract liabilities with third-party customers.

	2023 March 31	2022 December 31
Balance at the beginning of the period	4,488,857	8,022,948
Increase in contract liabilities during the period	6,659,145	90,988,953
Revenue recognized for balances included in Contract liabilities balance at the beginning of the period	(1,882,255)	(6,927,483)
Revenue recognized for Contract liabilities originated during the period	(5,457,095)	(87,441,774)
Other	(10,020)	(26,330)
Exchange differences	16,007	(127,457)
<b>Balance at the end of the period</b>	<b>3,814,639</b>	<b>4,488,857</b>

**TENET FINTECH GROUP INC.****Notes to Condensed Interim Consolidated Financial Statements**

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**11 - LEASE LIABILITIES**

	<b>2023</b>	<b>2022</b>
	March 31	December 31
Balance at the beginning of the period	3,116,191	1,747,984
Amounts arising from business combination	-	88,038
Additions	-	1,784,757
Accretion interest	56,552	177,021
Lease payments	(127,490)	(691,454)
Effect of exchange rate change on obligation	4,552	9,845
Balance at the end of the period	3,049,805	3,116,191
Current Portion	506,651	493,852
Non-current Portion	2,543,154	2,622,339

The Company's obligations regarding lease payments as at March 31, 2023, and December 31, 2022, were as follows:

As at March 31, 2023	<b>Payment due by period</b>			
	1 year	2 - 5 years	Beyond 5 years	Total
Lease payments	605,643	2,331,018	2,480,638	5,417,299

As at December 31, 2022	<b>Payment due by period</b>			
	1 year	2 - 5 years	Beyond 5 years	Total
Lease payments	610,493	2,346,799	2,561,137	5,518,429

**12 - DEBENTURES**

The carrying value of the debentures as at March 31, 2023, and December 31, 2022, were as follows:

	<b>2023</b>	<b>2022</b>
	March 31	December 31
Debenture issuance of December 23, 2022 (note 12.1)	2,228,738	2,109,903
Debenture issuance of January 31, 2023 (note 12.2)	2,496,617	-
	4,725,355	2,109,903

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 12 - DEBENTURES (CONTINUED)

##### 12.1 Debenture issuance of December 23, 2022

On December 23, 2022, the Company issued 308 units of convertible debentures for gross contractual proceeds of \$3,080,000 (net proceeds of \$2,864,400 after related expenses). Each unit sold comprised of \$10,000 face value debentures, maturing on December 23, 2024, bearing interest at a nominal rate of 10% payable monthly, plus 10,000 purchase warrants, for a total of 3,080,000 purchase warrants, exercisable into Company common shares at \$2.00 per share for a period of 24 months from the date of issuance.

The debentures, at issuance, allowed their subscribers to convert them into common shares of the Company at any time prior to maturity, subject to certain terms and conditions, at \$1.00 per common share. After the reporting period, the Company amended the conversion terms of the debentures to allow the holders to convert the face value of those convertible debentures into common shares at a price to be determined under the next transaction or series of directly related transactions (refer to note 24.1).

The units contain a "forced warrant conversion" feature under which the debenture will automatically be surrendered and converted into common shares of the Company should the shares of the Company trade at \$1.50 or more for three consecutive trading days.

Tenet also granted 179,900 finder's compensation warrants to eligible persons who helped place the debenture units entitling them to purchase a number of Tenet common shares equal to 7% of the value of debentures they help place, at a price of \$2.00 per common share for a 24-month period following the closing date.

The Company used the residual value method to allocate the principal amount of the debentures between the liability, the equity component of the debentures and the warrants. Under this method, an amount of \$319,209 and \$465,825 (\$221,465 and \$323,188, net of issuance costs and deferred tax component) related to the conversion feature and the warrants issued were recorded in consolidated statements of changes in equity. The fair value of the liability component of \$2,093,772 was computed as the present value of future principal and interests, discounted at a rate of 29%, net of the prorated share of transaction costs.

The movement during the three-month period ended March 31, 2023, and the year ended December 31, 2022, relating to those debentures, were as follows:

	2023	2022
	March 31	December 31
Balance at the beginning of the period	2,109,903	-
Addition	-	3,080,000
Issuance costs allocated to the debenture component	-	(201,194)
Equity component of convertible debentures	-	(319,209)
Contributed surplus for the warrants	-	(465,825)
Balance at inception or beginning of the period	2,109,903	2,093,772
Accretion of debentures	93,297	14,085
Amortization of financing issuance costs	25,538	2,046
Balance at the end of the period	2,228,738	2,109,903

The fair value of the 179,900 finder's warrants was calculated at \$54,417 and recorded as issuance of broker compensation warrants in the condensed interim consolidated statements of changes in equity. The fair value was calculated using the Black & Scholes option pricing model with the following assumptions:

Share price at the date of grant	\$0.77
Expected life	2 years
Risk-free interest rate	3.93%
Expected volatility	114%
Dividend	0%
Exercise price at the date of grant	\$2.00

The volatility was determined by using the Company's own historical volatility over a period corresponding to expected life of the share options.

As at March 31, 2023, the balance from the subscriptions receivable of convertible debentures recorded in the debtors was \$Nil (December 31, 2022 - \$2,010,000).

##### 12.2 Debenture issuance of January 31, 2023

On January 31, 2023, the Company issued 351 units of convertible debentures for gross contractual proceeds of \$3,510,000 (net proceeds of \$3,280,350 after related expenses). Each unit sold comprised of \$10,000 face value debentures, maturing on January 31, 2025, bearing interest at a nominal rate of 10% payable monthly, plus 10,000 purchase warrants, for a total of 3,510,000 purchase warrants, exercisable into Company common shares at \$2.00 per share for a period of 24 months from the date of issuance.

The debentures, at issuance, allowed their subscribers to convert them into common shares of the Company at any time prior to maturity, subject to certain terms and conditions, at \$1.00 per common share. After the reporting period, the Company amended the conversion terms of the debentures to allow the holders to convert the face value of those convertible debentures into common shares at a price to be determined under the next transaction or series of directly related transactions (refer to note 24.1).



## TENET FINTECH GROUP INC.

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#### 12.2 Debenture issuance of January 31, 2023 (continued)

The units contain a "forced warrant conversion" feature under which the debenture will automatically be surrendered and converted into common shares of the Company should the shares of the Company trade at \$1.50 or more for three consecutive trading days.

Tenet also granted 221,250 finder's compensation warrants to eligible persons who helped place the debenture units entitling them to purchase a number of Tenet common shares equal to approximately 7% of the value of debentures they help place, at a price of \$2.00 per common share for a 24-month period following the closing date.

The Company used the residual value method to allocate the principal amount of the debentures between the liability, the equity component of the debentures and the warrants. Under this method, an amount of \$353,172 and \$504,901 (\$245,050 and \$350,328, net of issuance costs and deferred tax component) related to the conversion feature and the warrants issued were recorded in consolidated statements of changes in equity. The fair value of the liability component of \$2,419,765 was computed as the present value of future principal and interest, discounted at a rate of 29%, net of the prorated share of transaction costs.

The movement during the three-month period ended March 31, 2023, and the year ended December 31, 2022, relating to those debentures, were as follows:

	2023	2022
	March 31	December 31
Balance at the beginning of the period	-	-
Addition	3,510,000	-
Issuance costs allocated to the debenture component	(232,162)	-
Equity component of convertible debentures	(353,172)	-
Contributed surplus for the warrants	(504,901)	-
Balance at inception or beginning of the period	2,419,765	-
Interest and accretion of debentures	57,505	-
Amortization of financing issuance costs	19,347	-
Balance at the end of the period	2,496,617	-

The fair value of the 221,250 finder's warrants was calculated at \$77,632 and recorded as issuance of broker compensation warrants in the condensed interim consolidated statements of changes in equity. The fair value was calculated using the Black & Scholes option pricing model with the following assumptions:

Share price at the date of grant	\$0.89
Expected life	2 years
Risk-free interest rate	3.76%
Expected volatility	109%
Dividend	0%
Exercise price at the date of grant	\$2.00

The volatility was determined by using the Company's own historical volatility over a period corresponding to expected life of the share options.

#### 13 - BONDS

On May 29, 2020, the Company has placed 400 units of secured corporate bonds at \$1,000 per unit. Each unit sold was comprised of \$1,000 face value bonds, redeemable on June 10, 2023, bearing interest at a nominal rate of 10% payable monthly, plus 20 purchase warrants exercisable into Company common share at \$2.00 per share for a period of 36 months from the date of issuance.

The Bonds will be redeemable after 36 months from the date of issuance (the "Initial Maturity Date"). Each holder has a right (the "Initial Extension Right") at the end of the Initial Maturity Date to extend the Bond for another 12 months (the "Initial Extension Period") by giving written notice to that effect to the Company no later than sixty (60) days prior to the Initial Maturity Date. Any holder that has elected to exercise its Initial Extension Right will also have a further right at the end of the Initial Extension Period to extend its Bond for another 12 months (the "Second Extension Period") under the same notice conditions as stated in the Initial Extension.

If a holder elects to extend its Bonds, the Company may redeem such holder's Bonds at any time on payment of a 5% premium to redeem the Bonds ("Penalty").

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 13 - BONDS (CONTINUED)

The Company has set aside an amount equal to two years of interest in a separate bank account, which will be used to pay interest payable on the Bonds. Any interest accrued on such sum will be in favour of the Company. The amount set aside as at March 31, 2023, is \$6,667 (December 31, 2022 - \$53,333) and is presented under restricted cash in the consolidated statements of financial position.

Bonds are secured by a pledge on the aggregate assets of the Company, maturing on May 29, 2023. The Company used the residual value method to allocate the principal amount of the bond between the liability and the contributed surplus. Under this method, an amount of \$64,896 (net of transaction costs) related to the warrants issued was applied to the contributed surplus. The fair value of the liability component was \$227,569 computed as the present value of future principal and interest payments discounted at a rate of 22%.

The movement during the three-month period ended March 31, 2023, and the year ended December 31, 2022, relating to these bonds, were as follows:

	<b>2023</b>	<b>2022</b>
	March 31	December 31
Balance at the beginning of the period	373,547	313,234
Accretion on bonds	9,290	33,339
Amortization of initial costs	6,650	26,974
Balance at the end of the period	389,487	373,547

#### 14 - CEBA LOAN (Canada Emergency Business Account)

On April 20, 2020, the Company applied for and received \$40,000 under the Canada Emergency Business Account (CEBA). Further, on September 1, 2021, through its acquisition of Cubeler, the Company acquired an additional CEBA loan totaling \$60,000. Under this program providing interest-free loans, repaying the balance of the loan on or before December 31, 2023, will result in loan forgiveness of 33% (\$33,000), which is the intention of the Company. Subsequent to year-end 2021, the Government of Canada announced that the deadline to repay loans under the Canada Emergency Business Account program would be extended by one year (that is from December 31, 2022 to December 31, 2023). As at January 1, 2024, the loan balance will bear interest at 5% and will be repayable on maturity on December 31, 2025.

## TENET FINTECH GROUP INC.

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#### 15 - SHAREHOLDERS' EQUITY

##### 15.1 Authorized share capital

The share capital of the Company consists of an unlimited authorized number of common shares without par value.

##### 15.2 Description of the shareholders' equity operations during the three-month period ended March 31, 2022

- a) During the three-month period ended March 31, 2022, the Company issued 1,527,500 common shares at an average exercise price of \$1.09 per share for total proceeds of \$1,658,750 upon the exercise of share purchase warrants, and \$443,144 related to exercised warrants were transferred from contributed surplus to share capital in the consolidated statements of changes in equity.
- b) During the year ended December 31, 2022, the Company issued 117,500 common shares at an average exercise price of \$2.10 per share for total proceeds of \$246,750 upon the exercise of stock options, and \$217,420 related to exercised stock options were transferred from contributed surplus to share capital in the consolidated statements of changes in equity.

##### 15.3 Warrants

The outstanding warrants movement as at March 31, 2023 and December 31, 2022 and the respective changes during the year, are summarized as follows:

	March 31, 2023		December 31, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	17,748,213	3.22	17,332,504	3.06
Granted	3,731,250	2.00	3,259,900	2.00
Expired	–	–	(584,691)	0.50
Exercised	–	–	(2,259,500)	0.90
Outstanding and exercisable, end of period	21,479,463	3.01	17,748,213	3.22

As at March 31, 2023, and December 31, 2022, the number of outstanding warrants which could be exercised for an equivalent number of common shares in the exception of the warrants expiring on July 23, 2023, for which two warrants are needed to be exercised for one common share, is as follows:

Expiration date	March 31, 2023		December 31, 2022	
	Number	Exercise price	Number	Exercise price
May, 2023	3,000	2.00	3,000	2.00
May, 2023	13,328	1.00	13,328	1.00
July, 2023	12,870,149	3.50	12,870,149	3.50
July, 2023	1,601,836	3.50	1,601,836	3.50
December, 2024	3,080,000	2.00	3,080,000	2.00
December, 2024	179,900	2.00	179,900	2.00
January, 2025	3,510,000	2.00	–	–
January, 2025	221,250	2.00	–	–
	21,479,463		17,748,213	

## TENET FINTECH GROUP INC.

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#### 16 - SHARE-BASED PAYMENTS

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may, from time to time, at its discretion and in accordance with the Exchange regulations, grant to directors, officers, employees and others providing similar services to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares exercisable for a period of up to 5 years from the date of grant. The options reserved for issuance to any individual director, officer, or employee will not exceed 5% of the issued and outstanding common shares, and the number of common shares reserved for issuance to others providing services will not exceed 2% of the issued and outstanding common shares. Options may be exercised as of the grant date for a period determined by the Board but shall not be greater than five years from the grant date and 90 days following cessation of the option holder position with the Company. Provided that the cessation of office, directorships or employment or other similar service arrangement was by reason of death (in the case of an individual), the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

The outstanding options movement as at March 31, 2023, and December 31, 2022, are summarized as follows:

	March 31, 2023		December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of period	3,871,025	1.50	4,689,250	1.93
Granted	92,019	0.89	333,542	2.90
Exercised (1)	–	–	(117,500)	2.10
Expired	(12,337)	5.60	(462,500)	1.87
Forfeited	–	–	(571,767)	3.20
Outstanding at the end of period	3,950,707	1.99	3,871,025	2.02
Exercisable at the end of period	3,275,179	1.73	2,734,800	1.50

(1) The market value of the shares exercised in 2022 was \$3.96 and \$2.95 on the exercise date of these options.

The table below summarizes the information related to outstanding share options as at March 31, 2023.

Maturity date	Range of exercise price	Number of options	Weighted average remaining contractual life (years)
April 16, 2023	1.00	5,000	0 months
June 5, 2023	1.00	288,750	2 months
November 28, 2023	1.00	37,500	7 months
May 1, 2024	1.00	50,000	1 year and 1 months
May 27, 2024	1.00	447,500	1 year and 1 months
September 5, 2024	1.00	10,000	1 year and 5 months
November 1, 2024	1.10	50,000	1 year and 7 months
November 12, 2024	1.00	5,000	1 year and 7 months
June 11, 2025	1.00	745,500	2 years and 2 months
October 28, 2025	1.50	1,075,000	2 years and 6 months
November 6, 2025	2.70	50,000	2 years and 7 months
March 22, 2026	5.50	55,000	2 years and 11 months
May 13, 2026	4.80	5,000	3 years and 1 months
July 7, 2026	4.10	700,000	3 years and 3 months
October 28, 2026	11.50	25,000	3 years and 6 months
January 1, 2027	7.50	32,725	3 years and 9 months
February 1, 2027	5.60	30,544	3 years and 10 months
March 1, 2027	4.10	1,384	3 years and 11 months
April 1, 2027	4.16	15,627	4 years and 0 months
May 1, 2027	5.13	13,585	4 years and 1 months
June 1, 2027	2.55	2,842	4 years and 2 months
July 1, 2027	1.65	5,763	4 years and 3 months
August 1, 2027	1.41	35,892	4 years and 4 months
September 1, 2027	2.08	14,791	4 years and 5 months
October 1, 2027	1.24	72,255	4 years and 6 months
November 1, 2027	1.02	17,500	4 years and 7 months
December 1, 2027	1.31	66,530	4 years and 8 months
February 1, 2028	0.95	47,257	4 years and 10 months
March 1, 2028	0.84	44,762	4 years and 11 months
		3,950,707	

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#### 16 - SHARE-BASED PAYMENTS (CONTINUED)

The table below summarizes the information related to outstanding share options as at December 31, 2022.

Maturity date	Range of exercise price	Number of options	Weighted average remaining contractual life (years)
April 16, 2023	1.00	5,000	3 months
June 5, 2023	1.00	288,750	5 months
November 28, 2023	1.00	37,500	10 months
May 1, 2024	1.00	50,000	1 years and 4 months
May 27, 2024	1.00	447,500	1 years and 4 months
September 5, 2024	1.00	10,000	1 years and 8 months
November 1, 2024	1.10	50,000	1 years and 10 months
November 12, 2024	1.00	5,000	1 years and 10 months
June 11, 2025	1.00	745,500	2 years and 5 months
October 28, 2025	1.50	1,075,000	2 years and 9 months
November 6, 2025	2.70	50,000	2 years and 10 months
March 22, 2026	5.50	55,000	3 years and 2 months
May 13, 2026	4.80	5,000	3 years and 4 months
July 7, 2026	4.10	700,000	3 years and 6 months
October 28, 2026	11.50	25,000	3 years and 9 months
January 1, 2027	7.50	32,725	4 years and 0 months
February 1, 2027	5.60	42,881	4 years and 1 months
March 1, 2027	4.10	1,384	4 years and 2 months
April 1, 2027	4.16	15,627	4 years and 3 months
May 1, 2027	5.13	13,585	4 years and 4 months
June 1, 2027	2.55	2,842	4 years and 5 months
July 1, 2027	1.65	5,763	4 years and 6 months
August 1, 2027	1.41	35,892	4 years and 7 months
September 1, 2027	2.08	14,791	4 years and 8 months
October 1, 2027	1.24	72,255	4 years and 9 months
November 1, 2027	1.02	17,500	4 years and 10 months
December 1, 2027	1.31	66,530	4 years and 11 months
		3,871,025	

During the three-month ended period March 31, 2023, the Company recorded an expense of \$222,421 related to share-based compensation (period ended March 31, 2022 - \$541,599) to the condensed interim consolidated statements of comprehensive profit and loss.

#### 16.1 Share-based payments granted to directors and employees during the three-month period ended March 31, 2023

The fair value of the options granted were calculated using the Black & Scholes option pricing model. The following assumptions were used in the valuation of each issuance:

Grant date	February 1, 2023	March 31, 2023
Number of options granted	47,257	44,762
Share price at the date of grant	0.90	0.80
Risk-free interest rate	2.93%	3.59%
Volatility (1)	113%	112%
Dividend	0%	0%
Exercise price at the date of grant	\$0.95	\$0.84
Vesting period	2 years	2 years
Expected life	5 years	5 years
<b>Fair value of the options granted</b>	<b>34,100</b>	<b>28,750</b>

(1) The volatility was determined by using the Company's own historical volatility over a period corresponding to expected life of the share options.

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#### 16 - SHARE-BASED PAYMENTS (CONTINUED)

##### 16.2 Share-based payments granted to directors and employees during the three-month period ended March 31, 2022

The fair value of the options granted were calculated using the Black & Scholes option pricing model. The following assumptions were used in the valuation of each issuance:

Grant date	January 1, 2022	February 1, 2022	March 1, 2022
Number of options granted	32,725	42,881	2,941
Share price at the date of grant	\$7.15	\$5.28	\$3.80
Risk-free interest rate	1.25%	1.63%	1.61%
Volatility (1)	106%	106%	104%
Dividend	0%	0%	0%
Exercise price at the date of grant	\$7.50	\$5.60	\$4.10
Vesting period	2 years	2 years	2 years
Expected life	5 years	5 years	5 years
<b>Fair value of the options granted</b>	<b>179,183</b>	<b>173,796</b>	<b>8,455</b>

(1) The volatility was determined by using the Company's own historical volatility over a period corresponding to expected life of the share options.

#### 17 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are as follows:

- To ensure the Company's ability to continue its development;
- To provide an adequate return to shareholders.

The Company monitors capital based on the carrying amount of equity which represents \$109,982,844 as at March 31, 2023 (December 31, 2022 - \$117,607,868).

The Company manages its capital structure and makes adjustments to it to ensure it has sufficient liquidity and raises capital through stock markets to continue its development.

The Company is not subject to any externally imposed capital requirements.

## TENET FINTECH GROUP INC.

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#### 18 - FINANCIAL INSTRUMENTS

##### 18.1 Classification of financial instruments

As at March 31, 2023, the carrying amount of financial assets and financial liabilities were as follows:

	March 31, 2023		
	Assets and liabilities carried at fair value	Assets and liabilities carried at amortized cost	Total carrying value
<b>Financial assets</b>			
Cash	–	2,916,360	2,916,360
Restricted Cash	–	203,667	203,667
Debtors	–	24,298,452	24,298,452
Deposits made for transactions on platforms	–	26,241,543	26,241,543
Loans receivable	–	17,177,219	17,177,219
Deposit	–	77,654	77,654
Other equity investments	1,477,500	–	1,477,500
	1,477,500	70,914,895	72,392,395
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	–	12,263,753	12,263,753
Bonds	–	389,487	389,487
CEBA Loan	–	100,000	100,000
Debentures	–	4,725,355	4,725,355
Contingent consideration payable	1,958,030	–	1,958,030
	1,958,030	17,478,595	19,436,625

As at December 31, 2022, the carrying amount of financial assets and financial liabilities were as follows:

	December 31, 2022		
	Assets and liabilities carried at fair value	Assets and liabilities carried at amortized cost	Total carrying value
<b>Financial assets</b>			
Cash	–	3,223,370	3,223,370
Restricted Cash	–	212,967	212,967
Debtors	–	27,135,518	27,135,518
Deposits made for transactions on platforms	–	26,839,877	26,839,877
Loans receivable	–	17,194,843	17,194,843
Deposit	–	76,474	76,474
Other equity investments	981,500	–	981,500
	981,500	74,683,049	75,664,549
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	–	10,248,142	10,248,142
Bonds	–	373,547	373,547
CEBA Loan	–	100,000	100,000
Debentures	–	2,109,903	2,109,903
Contingent consideration payable	1,882,210	–	1,882,210
	1,882,210	12,831,592	14,713,802

##### 18.2 Financial risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The main risks the Company is exposed to are credit risk (note 5 and 6), market risk and liquidity risk.

The Company does not actively engage in the trading of financial instruments for speculative purposes.

No changes were made in the objectives, policies and processes related to financial instrument risk management during the reporting periods.

The most significant financial risks to which the Company is exposed are described below.

## TENET FINTECH GROUP INC.

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#### 18 - FINANCIAL INSTRUMENTS (CONTINUED)

##### 18.3 Financial risks

###### 18.3.1 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources for a sufficient amount. The Company's objective is to maintain a cash position sufficient to cover the next twelve-month obligations (note 2).

The Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	March 31, 2023		
	Current		Long-term
	Within 6 months	6 to 12 months	More than 12 months
Accounts payable and accrued liabilities	12,263,753	–	–
Bonds	400,000	–	–
Contingent consideration payable	–	–	2,627,863
CEBA loan	–	100,000	–
Debenture	–	–	6,590,000
	12,663,753	100,000	9,217,863

	December 31, 2022		
	Current		Long-term
	Within 6 months	6 to 12 months	More than 12 months
Accounts payable and accrued liabilities	10,248,142	–	–
Bonds	400,000	–	–
Contingent consideration payable	–	–	2,627,863
CEBA loan	–	100,000	–
Debenture	–	–	3,080,000
	10,648,142	100,000	5,707,863

##### 18.4 Finance costs

The breakdown of Finance costs during the three-month period ended March 31, 2023 and 2022 is as follows:

	2023	2022
	March 31	March 31
Interest on lease liabilities (note 11)	56,552	37,133
Interest on security deposit and advances	–	4,327
Interest paid on debentures and bonds	123,105	10,000
Accretion on debentures and bonds	160,092	7,614
Total interest expense	339,749	59,074
Interest income	(9,442)	(15,166)
Miscellaneous	4,928	5,044
Total Finance costs	335,235	48,952

##### 18.5 Fair value

The following methods and assumptions were used to determine the estimated fair value for each class of financial instruments:

- The fair value of cash, restricted cash, loans receivable on short and long term, debtors (except sales tax receivables), deposits made for transactions on platforms, accounts payable, advances and accrued liabilities approximate their carrying amount, given the short-term maturity;
- The fair value of the debentures and the bonds is estimated using a discounted cash flow approach and approximate their carrying amount. CEBA loan is recognized as it cost which is close from its fair value;
- The fair value of contingent compensation payable related to the acquisition of Heartbeat & Steelchain (note 4) is estimated using a discounted cash flow method and reflects management's estimate that the contract's target level will be achieved;
- The fair value of equity investments is based on the underlying fair market value of the assets & liabilities as at the date of reporting.



## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 18 - FINANCIAL INSTRUMENTS (CONTINUED)

The Company categorized its financial instruments based on the following three levels of inputs used for fair value measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Equity investments, bonds, debentures, and contingent consideration payable are level 3 under the fair value hierarchy.

#### 19 - RELATED PARTY TRANSACTIONS

The Company's related party transactions do not include, unless otherwise stated, special terms and conditions. No guarantees were given or received. Outstanding balances are usually settled in cash.

##### Transactions with key management personnel, officers and directors

The Company's key management personnel are, the CEO, the CFO, the China CEO and the members of the Board. Their remuneration includes the following expenses:

	2023	2022
	March 31	March 31
Salaries and fringe benefits	362,924	379,823
Share-based payments	136,288	413,050
	499,212	792,873

These transactions occurred in the normal course of operations and have been measured at fair value.

As at March 31, 2023, and 2022 the consolidated statement of financial position includes the following amounts with related parties:

	2023	2022
	March 31	March 31
Loans, with interest (1)	208,345	113,522
	208,345	113,522

(1) On December 15, 2021, loans were issued to two board members of the Company in the amounts of \$72,793 and \$40,400. On June 3, 2022, an additional loan was issued to another board member of \$130,462. The loans were respectively due on December 15, 2022, and December 31, 2022, and bear interest at the quarterly prescribed variable rate. In August 2022, one of the board members owing the Company a balance of \$41,535 as at March 31, 2023, resigned and ceased to be a related party. As at March 31, 2023, the aggregate outstanding principal amount due to related parties for said loans is \$208,345 (December 31, 2022 - \$206,300). As the loans have expired, the Company is in the process of negotiating repayment terms to be agreed upon with each current and past board member.

#### 20 - SEGMENT REPORTING

The Company has determined that it has two operating segments, which are defined below. For presentation purposes, other activities are grouped in the Other category. Each operating segment is distinguished by the type of products and services it offers and is managed separately as each requires different business processes, marketing approaches and resources. All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in stand-alone sales of identical goods and services.

The operating segments are detailed as follows:

##### Fintech Platform

The Fintech Platform segment comprises the procurement and distribution of products within supply chain or facilitating transactions in the commercial lending industry through technology platforms and the Canadian operating entities.

##### Financial Services

The Financial Services segment encompasses providing commercial loans to entrepreneurs and SMEs and the activity of providing turn-key credit outsourcing services to banks and other lending institutions.

The Fintech Platform segment operates in North America and China, and the Financial Services segment operates in China.

## TENET FINTECH GROUP INC.

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#### 20 - SEGMENT REPORTING (CONTINUED)

##### Other

The "Other" category includes the activity and unallocated portion of the Canadian parent company's services and all non-operating holdings registered in Hong Kong and China.

The segment information for the three-month periods ended March 31, 2023, and 2022, are as follows:

	Three-month period ended March 31, 2023				
	Fintech Platform	Financial Services	Other	Elimination	Total
<b>Revenues (1)</b>					
Financial service revenue from external customers	–	245,948	–	–	245,948
Fees and sales from external customers	2,641,110	144,801	–	–	2,785,911
Supply chain services	6,461,945	–	–	–	6,461,945
Inter-segment	1,247,286	19,674	259,472	(1,526,432)	–
<b>Total revenues</b>	<b>10,350,341</b>	<b>410,423</b>	<b>259,472</b>	<b>(1,526,432)</b>	<b>9,493,804</b>
<b>Expenses</b>					
Depreciation and amortization	2,251,094	33,849	86,748	–	2,371,691
Finance costs	30,872	6,021	298,342	–	335,235
Change in fair value of contingent consideration	75,820	–	–	–	75,820
Cost of service, supply chain	5,968,713	–	–	–	5,968,713
All other expenses	7,529,560	298,614	3,116,072	(1,526,432)	9,417,814
<b>Total expenses</b>	<b>15,856,059</b>	<b>338,484</b>	<b>3,501,162</b>	<b>(1,526,432)</b>	<b>18,169,273</b>
Profit (loss) before tax	(5,505,718)	71,939	(3,241,690)	–	(8,675,469)
Income tax	1,093	28,123	–	–	29,216
<b>Net profit (loss)</b>	<b>(5,506,811)</b>	<b>43,816</b>	<b>(3,241,690)</b>	<b>–</b>	<b>(8,704,685)</b>
Non-controlling interest	(318,093)	48,565	–	–	(269,528)
Net profit (loss) attributable to:					
Owners of the parent	(5,188,718)	(4,749)	(3,241,690)	–	(8,435,157)
<b>Segmented assets</b>	<b>106,711,644</b>	<b>19,715,843</b>	<b>12,039,142</b>	<b>–</b>	<b>138,466,629</b>

(1) Revenues from external customers have been identified on the basis of the customer's geographical location, which is China.

	Three-month period ended March 31, 2022				
	Fintech Platform	Financial Services	Other	Elimination	Total
<b>Revenues (1)</b>					
Financial service revenue from external customers	–	587,760	–	–	587,760
Fees and sales from external customers	1,042,988	180,267	–	–	1,223,255
Supply chain services	32,982,642	–	(52,197)	–	32,930,445
Inter-segment	949,972	115,178	598,274	(1,663,424)	–
<b>Total revenues</b>	<b>34,975,602</b>	<b>883,205</b>	<b>546,077</b>	<b>(1,663,424)</b>	<b>34,741,460</b>
<b>Expenses</b>					
Depreciation and amortization	1,588,364	49,888	1,979	–	1,640,231
Finance costs	31,330	8,645	(450)	–	39,525
Cost of service, supply chain	29,461,599	–	–	–	29,461,599
All other expenses	2,883,449	410,555	4,624,944	(1,663,424)	6,255,524
<b>Total expenses</b>	<b>33,964,742</b>	<b>469,088</b>	<b>4,626,473</b>	<b>(1,663,424)</b>	<b>37,396,879</b>
Profit (loss) before tax	1,010,860	414,117	(4,080,396)	–	(2,655,419)
Income tax (recovery)	588,212	115,970	–	–	704,182
<b>Net profit (loss)</b>	<b>422,648</b>	<b>298,147</b>	<b>(4,080,396)</b>	<b>–</b>	<b>(3,359,601)</b>
Non-controlling interest	(147,808)	170,478	–	–	22,670
Net profit (loss) attributable to:					
owners of the parent	570,456	127,669	(4,080,396)	–	(3,382,271)
<b>Segmented assets</b>	<b>152,539,181</b>	<b>25,435,971</b>	<b>15,959,446</b>	<b>(840,056)</b>	<b>193,094,542</b>

(1) Revenues from external customers have been identified on the basis of the customer's geographical location, which is China.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2023, and 2022

(In Canadian dollars)

(Unaudited)

#### 20 - SEGMENT REPORTING (CONTINUED)

The Company's non-current assets are located in the following geographic regions:

	2023	2022
	March 31	December 31
	Non-current Assets	Non-current Assets
China	40,677,567	41,022,054
Canada	24,975,278	23,484,742
	65,652,845	64,506,796

#### 21 - NON-CONTROLLING INTERESTS

The Company controls the following subsidiaries that have significant non-controlling interests.

Entities	2023	2022
	March 31	December 31
	% ownership and voting rights held the by NCIs	% ownership and voting rights held the by NCIs
Asia Synergy Supply Chain Ltd. ("ASSC")	49%	49%
Asia Synergy Financial Capital Ltd. ("ASFC")	49%	49%
Wechain (Nanjing) Technology Service Co., Ltd. ("WECHAIN")	49%	49%
Beijing Kailifeng New Energy Technology Co., Ltd. ("KALIFENG")	49%	49%
Shanghai Xihuizhi Supply Chain Management Co., Ltd. ("ASAC")	49%	49%
Jiangsu Supairui IOT Technology Co., Ltd. ("ASTH")	20%	-
Wuxi Suyetong Supply Chain Management Co., Ltd. ("SST")	20%	-

Entities	Total comprehensive profit and loss allocated to NCI		Accumulated NCI	
	2023	2022	2023	2022
	March 31	March 31	March 31	December 31
Asia Synergy Supply Chain Ltd. ("ASSC")	(106,907)	(39,080)	2,129,307	2,236,215
Asia Synergy Financial Capital Ltd. ("ASFC")	41,438	125,963	11,805,912	11,764,472
Wechain (Nanjing) Technology Service Co., Ltd. ("WECHAIN")	(81,942)	(80,716)	385,488	467,430
Kailifeng New Energy Technology Co., Ltd. ("KALIFENG")	(114,290)	(23,740)	717,735	774,254
Shanghai Xihuizhi Supply Chain Management Ltd. ("ASAC")	(38)	-	(2,456)	(1,445)
Jiangsu Supairui IOT Technology Co., Ltd. ("ASTH") (1)	(23,451)	-	(2,401)	21,051
	(285,190)	(17,573)	15,033,585	15,261,978

(1) Wuxi Suyetong Supply Chain Management Co., Ltd. ("SST") is included with ASTH since the latest holds 100% of the shares of SST.

No dividends were paid to NCIs during the three-month periods ended March 31, 2023, and 2022.

# TENET FINTECH GROUP INC.

## Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

### 21 - NON-CONTROLLING INTERESTS (CONTINUED)

Summarized financial information for subsidiaries with NCIs, before intragroup eliminations are as follows:

	ASSC		ASFC		Wechain		Kaififeng		ASAC		ASTH (1)		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	March 31	December 31	March 31	December 31	March 31	December 31	March 31	December 31	March 31	December 31	March 31	December 31	March 31	December 31
Current assets	6,179,158	6,424,095	23,907,157	23,455,754	515,726	371,131	1,061,782	1,005,220	1,935	1,946	191,154	798,065	31,856,912	32,056,212
Non-current assets	445	499	1,619,161	2,100,558	579,642	677,787	828,539	814,914	-	-	267,255	312,026	3,295,041	3,905,783
	6,179,603	6,424,594	25,526,318	25,556,312	1,095,368	1,048,918	1,890,321	1,820,134	1,935	1,946	458,409	1,110,091	35,151,953	35,961,995
Current liabilities	1,721,896	1,754,224	796,160	820,775	187,869	32,522	48,642	42,514	-	-	37,312	478,393	2,793,879	3,128,429
Non-current liabilities	29,990	30,101	263,345	428,866	100,930	59,053	353,171	178,036	4,925	4,908	466,311	431,944	1,218,672	1,132,908
	1,751,886	1,784,325	1,061,505	1,249,642	288,799	91,575	401,813	220,550	4,925	4,908	503,623	910,338	4,012,551	4,261,337
Equity attributable to owners of the parent	2,216,217	2,327,489	12,287,786	12,244,655	401,222	486,509	747,030	805,857	(2,556)	(1,504)	(9,604)	84,202	15,640,095	15,947,208
Non-controlling interests	2,129,307	2,236,215	11,805,912	11,764,472	385,488	467,430	717,735	774,254	(2,456)	(1,445)	(2,401)	21,051	15,033,585	15,261,978
	ASSC		ASFC		Wechain		Kaififeng		ASAC		ASTH (1)		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	March 31	March 31	March 31	March 31	March 31	March 31	March 31	March 31	March 31	March 31	March 31	March 31	March 31	March 31
Revenue	-	798,392	265,622	702,938	181,899	190,660	-	-	-	-	(3,498,460)	-	(3,050,939)	1,691,990
Profit for the year attributable to the owners of the parent	(117,274)	(51,789)	50,547	177,436	(78,258)	(76,677)	(117,258)	(25,375)	(9)	-	(70,240)	-	(332,492)	23,595
Profit for the year attributable to NCIs	(112,675)	(49,758)	48,564	170,478	(75,189)	(73,670)	(112,659)	(24,380)	(9)	-	(17,560)	-	(269,528)	22,670
<b>Profit (loss) for the year</b>	<b>(229,949)</b>	<b>(101,547)</b>	<b>99,111</b>	<b>347,914</b>	<b>(153,447)</b>	<b>(150,347)</b>	<b>(229,917)</b>	<b>(49,755)</b>	<b>(18)</b>	<b>-</b>	<b>(87,800)</b>	<b>-</b>	<b>(602,020)</b>	<b>46,265</b>
Other comprehensive income ("OCI") for the year														
OCI attributable to the owners of the parent	6,003	11,114	(7,417)	(46,331)	(7,029)	(7,333)	(1,698)	665	(30)	-	(23,564)	-	(33,735)	(41,885)
OCI attributable to NCIs	5,768	10,678	(7,126)	(44,514)	(6,753)	(7,046)	(1,631)	639	(29)	-	(5,891)	-	(15,662)	(40,243)
<b>OCI for the year</b>	<b>11,771</b>	<b>21,792</b>	<b>(14,543)</b>	<b>(90,845)</b>	<b>(13,782)</b>	<b>(14,379)</b>	<b>(3,329)</b>	<b>1,304</b>	<b>(59)</b>	<b>-</b>	<b>(29,455)</b>	<b>-</b>	<b>(49,397)</b>	<b>(82,128)</b>
Total comprehensive income for the year attributable to the owners of the parent	(111,271)	(40,675)	43,130	131,105	(85,287)	(84,010)	(118,956)	(24,710)	(39)	-	(93,804)	-	(366,227)	(18,290)
Total comprehensive income for the year attributable to NCIs	(106,907)	(39,080)	41,438	125,964	(81,942)	(80,716)	(114,290)	(23,741)	(38)	-	(23,451)	-	(285,190)	(17,573)
<b>Total comprehensive profit and loss for the year</b>	<b>(218,178)</b>	<b>(79,755)</b>	<b>84,568</b>	<b>257,069</b>	<b>(167,229)</b>	<b>(164,726)</b>	<b>(233,246)</b>	<b>(48,451)</b>	<b>(77)</b>	<b>-</b>	<b>(117,255)</b>	<b>-</b>	<b>(651,417)</b>	<b>(35,863)</b>
Net cash used in operating activities	1,970,984	1,809,593	929,703	2,127,652	(27,689)	(66,973)	(92,186)	(295,053)	(1)	-	(63,685)	-	2,717,126	3,575,219
Net cash used in investing activities	(2)	3	(508,935)	110,989	(1,300)	20,714	(29,030)	(25,273)	-	-	(38,237)	-	(577,504)	106,433
Net cash from financing activities	(2,001,202)	(1,796,478)	(925,495)	(913,382)	166	(1,047)	118,050	335,832	-	-	(2,522)	-	(2,811,003)	(2,375,075)
Foreign exchange differences	(12,823)	(43,700)	120,014	(293,236)	2,673	(12,259)	2,930	(2,439)	(11)	-	1,239	-	114,022	(351,634)
<b>Net cash (outflow) inflow for the year</b>	<b>(43,043)</b>	<b>(30,582)</b>	<b>(384,713)</b>	<b>1,032,023</b>	<b>(26,150)</b>	<b>(59,565)</b>	<b>(236)</b>	<b>13,067</b>	<b>(12)</b>	<b>-</b>	<b>(103,205)</b>	<b>-</b>	<b>(557,359)</b>	<b>954,943</b>

(1) Wuxi Suyetong Supply Chain Management Co., Ltd. ("SST") is included with ASTH since the latest holds 100% of the shares of SST.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

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#### **21 - NON-CONTROLLING INTERESTS (CONTINUED)**

During the three-month period ended March 31, 2023, the Company's subsidiaries, ASDS and AST along with the non-controlling interests of KALIFENG and ASAC respectively, subscribed for additional share capital in the ratio of their relevant ownership percentages. The total value of capital agreed to be injected by NCIs totaled \$56,797 in KALIFENG (March 31, 2022 - \$163,444) and \$0 in ASAC (March 31, 2022 - \$975). As at March 31, 2023 the amount of the NCI's portion of the capital injection agreed for these NCI's that was outstanding was \$1,059,153 (December 31, 2022 - \$1,002,356), refer to note 6.

#### **22 - CONTINGENCIES**

Through the normal course of operations, the Company may be exposed to a number of lawsuits, claims and contingencies. Provisions are recognized as liabilities in instances when there are present obligations and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and where such liabilities can be reliably estimated. No provision has been recognized in these condensed interim consolidated financial statements. Although it is possible that liabilities may be incurred in instances where no provision has been made, the Company has no reason to believe that the ultimate resolution of such matters will have a material impact on its financial position.

#### **23 - COMPARATIVE FIGURES**

The presentation of certain comparative figures have been reclassified or modified in order to comply with the basis of presentation adopted in the current year.

In the comparative condensed interim consolidated statements of comprehensive profit and loss for the three-month period ended March 31, 2022, the Company reclassified, to better reflect their underlying nature, from the cost of service \$402,355 to the software delivery services and \$160,911 to the service fees as well as \$197,285 from the professional fees to outsourced services, software and maintenance.

#### **24 - SUBSEQUENT EVENTS**

##### **24.1 Amendment to the December 2022 and January 2023 convertible debentures**

On April 24, 2023, the Company amended the conversion terms of its private placement of non-secured convertible debentures closed on December 23, 2022, and January 31, 2023, to allow the holders to convert the face value of those convertible debentures into common shares at the price to be determined under the next transaction or series of directly related transactions in the course of which the Corporation issues and sells common shares.

##### **24.2 Share issuance**

During the period from April 1, 2023, to May 17, 2023, Convertible debentures amounting to \$5,040,000 were converted into 5,856,901 Company common shares.