

**Tenet Fintech Group Inc.**  
**Consolidated Financial Statements**  
**For the years ended**  
**December 31, 2022 and 2021**



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## Independent Auditor's Report

To the Shareholders of  
Tenet Fintech Group Inc.

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### Opinion

We have audited the consolidated financial statements of Tenet Fintech Group Inc. (hereafter "the Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive profit and loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 2 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated

financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material uncertainty related to going concern" section of our report, we have determined that the matters described below are the key audit matters to be communicated in our auditor's report.

### **Impairment assessment of goodwill and long-lived assets**

As described in Note 4 to the consolidated financial statements, cash-generating units (CGUs) to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We identified the Company's impairment assessment of goodwill and long-lived assets as a key audit matter.

#### *Why the matter was determined to be a key audit matter*

The impairment assessment of goodwill and long-lived assets was significant to our audit given that management's assessment process is based on assumptions, specifically profit margins, growth rates and discount rates, which are affected by the anticipated market or economic conditions, giving rise to high estimation uncertainty. In addition, the balances of goodwill and intangible assets, being respectively \$26,609,797 and \$32,011,270 as at December 31, 2022, are material to the consolidated financial statements.

The Company's impairment testing, which resulted in significant impairment expenses on goodwill and intangible assets of \$35,697,890 and \$6,954,055, respectively, is disclosed in Note 11.

#### *How the matter was addressed in the audit*

Our audit procedures related to the Company's assessment of goodwill and long-lived assets included, among others:

- We evaluated the reasonableness of the Company's cash flows by comparing projections to:
  - historical results;
  - long-term economic growth forecasts;
  - current business plans;
- We used our valuation experts to assist us in evaluating the assumptions, methodologies and data used by the Company, in particular for growth rates, profit margins and discount rates;
- We tested the completeness and accuracy of the underlying data used in the Company's valuation model;
- We performed a sensitivity analysis on significant management assumptions used in the valuation model. The Company's assumptions are detailed in Note 11 to the consolidated financial statements.

## **Business combinations**

As described in Note 4 to the consolidated financial statements, the Company applies the acquisition method in accounting for business combinations. The Company completed in 2022 the acquisition of two entities, Jiangsu Supairui IOT Technology Co., Ltd. and Jiangsu Steel Chain Technology Co., Ltd. for a total consideration of \$1,809,004 in addition to the finalization of the Heartbeat purchase price allocation which resulted in an adjustment of \$1,256,574 as described in Note 6 to the consolidated financial statements. Under the acquisition method, the purchase price was allocated to the assets acquired and the liabilities assumed based on their respective fair value, including identified intangible assets and resulting goodwill. We identified the business combinations as a key audit matter.

### *Why the matter was determined to be a key audit matter*

The business combinations were significant to our audit because of the significant estimates and assumptions management makes with regards to the fair values of assets and liabilities recorded upon the acquisition. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's projections of future cash flows, as well as the selection of discount rates, including the need to involve our valuation experts.

### *How the matter was addressed in the audit*

Our audit procedures related to the business combinations included, among others:

- We evaluated, with the assistance of our valuation experts, the reasonableness of management's:
  - projections of future cash flows by comparing the projections to historical results and long-term economic growth forecasts;
  - valuation methodologies and discount rates by testing information used to determine the discount rates and performing sensitivity analysis by developing a range of independent estimates for the discount rates and comparing those to the discount rates applied by management;
- We tested the fair values of the other assets and liabilities included upon the acquisition which were not subject to cash flow projection valuation methods;
- We tested the mathematical accuracy of calculations;
- We tested the existence of assets and liabilities included in the purchase price allocation.

**Information other than the consolidated financial statements and the auditor's report thereon**

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to

communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Nancy Wolfe.

*Raymond Chabot Grant Thornton LLP<sup>1</sup>*

Montréal  
March 30, 2023

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<sup>1</sup> CPA auditor, public accountancy permit n° A120795

**TENET FINTECH GROUP INC.**
**Consolidated Statements of Comprehensive Profit and Loss**

For the years ended December 31, 2022 and 2021

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

	Note	December 31 2022	December 31 2021
<b>Revenues</b>		109,878,515	103,632,774
<b>Expenses</b>			
Cost of service		82,691,068	89,701,360
Software delivery services		3,370,090	–
Salaries and fringe benefits		12,598,535	4,898,251
Service fees		3,056,834	595,792
Royalty on software		–	134,678
Board remuneration		640,263	863,762
Consulting fees		1,291,970	513,303
Outsourced services, software and maintenance		2,669,882	–
Professional fees		3,704,960	2,395,267
Marketing, public relations and press releases		1,300,917	1,069,950
Office supplies, software and hardware		1,272,059	328,150
Lease expenses		173,948	54,443
Insurance		1,291,321	272,265
Finance costs	21.4	194,033	181,943
Expected credit loss	7-8	1,859,937	(385,703)
Travel and entertainment		395,735	267,069
Stock exchange and transfer agent costs		244,494	388,142
Translation cost and others		138,229	110,656
Depreciation of property and equipment	9	89,664	90,139
Depreciation of right-of-use assets	9	615,179	286,850
Amortization of intangible assets	11	6,764,493	2,267,281
Amortization of financing issuance costs	14.1-15	29,020	26,974
Impairment of goodwill	11	35,697,890	41,386,422
Impairment of intangible assets	11	6,954,055	11,978,283
Change in fair value of contingent consideration payable	6.2	(591,220)	(3,556,574)
Loss on investment in associate company	10	34,253	–
Gain on bargain purchase	6.1	(109,605)	–
(Gain) Loss on foreign exchange		62,942	(62,142)
		166,440,946	153,806,561
Loss before income taxes		(56,562,431)	(50,173,787)
Income taxes (recovery)		(3,549,246)	(1,611,819)
<b>Net loss</b>		(53,013,185)	(48,561,968)
<b>Net profit (loss) attributable to:</b>			
Non-controlling interest		79,260	1,195,102
Owners of the parent		(53,092,445)	(49,757,070)
		(53,013,185)	(48,561,968)
<b>Item that will be reclassified subsequently to profit or loss</b>			
Currency translation adjustment		(811,760)	1,590,114
<b>Total comprehensive loss</b>		(53,824,945)	(46,971,854)
<b>Total comprehensive profit (loss) attributable to:</b>			
Non-controlling interest		9,040	1,277,683
Owners of the parent		(53,833,985)	(48,249,537)
		(53,824,945)	(46,971,854)
<b>Weighted average number of outstanding shares</b>		99,002,008	75,700,826
<b>Basic and diluted loss per share</b>		(0.536)	(0.657)

Going concern uncertainty (note 2)

Subsequent events (note 27)

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



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

Years ended December 31, 2022 and 2021

(In Canadian dollars)

	Note	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
		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
Equity component of convertible debenture	14.1	-	-	-	465,825	319,209	-	-	785,034	-	785,034
Issuance costs - equity component of convertible debenture	14.1	-	-	-	(40,838)	(27,985)	-	-	(68,823)	-	(68,823)
Deferred tax - equity component of convertible debenture	19	-	-	-	(101,799)	(69,759)	-	-	(171,558)	-	(171,558)
Issuance of broker compensation warrants	14.1	-	-	-	54,417	-	-	-	54,417	-	54,417
Exercise of warrants and broker warrants	17.4	2,259,500	2,548,471	(150,000)	(522,971)	-	-	-	1,875,500	-	1,875,500
Exercise of options	17-18	117,500	464,170	-	(217,420)	-	-	-	246,750	-	246,750
Share-based compensation	18	-	-	-	2,188,570	-	-	-	2,188,570	-	2,188,570
Subscription for shares by non-controlling interest	24	-	-	-	-	-	-	-	-	932,557	932,557
Transactions with owners		99,544,183	211,232,131	-	23,356,969	221,465	1,366,752	(79,997,442)	156,179,875	15,252,938	171,432,813
Net profit (loss)		-	-	-	-	-	-	(53,092,445)	(53,092,445)	79,260	(53,013,185)
Other comprehensive loss		-	-	-	-	-	(741,540)	-	(741,540)	(70,220)	(811,760)
Total comprehensive gain (loss) for the year		-	-	-	-	-	(741,540)	(53,092,445)	(53,833,985)	9,040	(53,824,945)
<b>Balance as at December 31, 2022</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

	Note	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
		Number of common shares	Amount								
<b>Balance as at January 1, 2021</b>		59,012,095	39,131,010	511,221	11,582,653	-	(140,782)	(30,240,372)	20,843,730	11,770,520	32,614,250
Issuance of shares and warrants	17	13,149,999	41,922,442	-	10,677,558	-	-	-	52,600,000	-	52,600,000
Issuance of shares for services provided	17	21,672	84,750	-	-	-	-	-	84,750	-	84,750
Issuance of shares re business acquisition	6	12,244,180	113,957,865	(403,610)	-	-	-	-	113,554,255	-	113,554,255
Issuance costs - shares and warrants	17	-	(4,618,710)	-	-	-	-	-	(4,618,710)	-	(4,618,710)
Issuance costs - broker compensation warrants	17	-	(1,875,595)	-	1,875,595	-	-	-	-	-	-
Conversion of convertible debentures	14.1	25,000	27,483	-	-	-	-	-	27,483	-	27,483
Exercise of warrants and broker warrants	17	12,106,737	17,699,802	(107,611)	(4,072,335)	-	-	-	13,519,856	-	13,519,856
Shares to be issued for the exercise of warrants		-	-	150,000	-	-	-	-	150,000	-	150,000
Exercise of options	17-18	607,500	1,890,443	-	(921,690)	-	-	-	968,753	-	968,753
Share-based compensation	18	-	-	-	2,389,404	-	-	-	2,389,404	-	2,389,404
Subscription for shares by non-controlling interest	24	-	-	-	-	-	-	-	-	1,272,179	1,272,179
Transactions with owners		97,167,183	208,219,490	150,000	21,531,185	-	(140,782)	(30,240,372)	199,519,521	13,042,699	212,562,220
Net profit (loss)		-	-	-	-	-	-	(49,757,070)	(49,757,070)	1,195,102	(48,561,968)
Other comprehensive profit		-	-	-	-	-	1,507,534	-	1,507,534	82,580	1,590,114
Total comprehensive profit (loss) for the year		-	-	-	-	-	1,507,534	(49,757,070)	(48,249,536)	1,277,682	(46,971,854)
<b>Balance as at December 31, 2021</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

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

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

For the years ended December 31, 2022 and 2021

(In Canadian dollars)

	Note	December 31 2022	December 31 2021
<b>OPERATING ACTIVITIES</b>			
Net loss		(53,013,185)	(48,561,968)
Non-cash items			
Expected credit loss	7-8.1	1,859,937	(385,703)
Depreciation of property and equipment	9	89,664	90,139
Depreciation of right-of-use assets	9	615,179	286,850
Amortization of intangible assets	11	6,764,493	2,267,281
Amortization of financing issuance costs	14.1-15	29,020	26,974
Impairment of goodwill	11	35,697,890	41,386,422
Impairment of intangible assets	11	6,954,055	11,978,283
Accretion on debentures and bonds	14-15-21.4	47,424	28,010
Accretion of lease interest	13-21.4	177,021	65,908
Issuance of shares and warrants for settlement of debt	17	-	15,000
Change in fair value of contingent consideration payable		(591,220)	(3,556,574)
Share-based compensation	18	2,188,570	2,389,404
Deferred tax assets and liabilities		(5,280,727)	(3,178,838)
Loss on investment in associate company		34,253	-
Gain on bargain purchase	6.1	(109,605)	-
Loans receivable maturing in more than 12 months	7	1,928,360	729,113
Net changes in working capital items			
Restricted cash		(159,634)	26,758
Income tax payable		486,323	2,057,056
Accounts receivable	8.1	(7,159,488)	17,875,366
Deposits made for transactions on platforms	8.2	5,808,549	(32,648,426)
Prepayments to third party subcontractors	8.1	4,519,672	(11,386,311)
Other debtors	8.1	335,981	1,080,986
Loans receivable maturing in less than 12 months	7	1,398,504	(1,742,412)
Assets held for sale		12,878	(137,226)
Other prepaid expenses		(142,417)	(399,166)
Other receivables		-	(84,123)
Trade accounts payable and accruals	12	(867,178)	(19,111,554)
Advances from third-party customers		(3,534,091)	(474,269)
Contract liabilities with third-party customers		(2,851,140)	7,987,224
Cash flows from operating activities		(4,760,912)	(33,375,797)
<b>INVESTING ACTIVITIES</b>			
Investments	10	(1,061,798)	-
Deposit		(150,000)	-
Property and equipment - addition	9	(51,745)	(54,210)
Property and equipment - disposal	9	2,592	6,247
Intangible assets - additions	11	(11,586,393)	(6,277,520)
Acquisition of subsidiaries - net of cash acquired	6	351,958	(11,063,412)
Cash flows from investing activities		(12,495,386)	(17,388,895)
<b>FINANCING ACTIVITIES</b>			
Repayment of advances made from affiliates		-	(40,133)
Repayments of advances made from a Director		-	(270,911)
Repayments of lease liabilities	13	(691,454)	(565,880)
Proceeds from the issuance of shares and warrants		-	47,981,290
Proceeds from the issuance of convertible debentures and warrants, net of related issuance costs	14.1	854,400	-
Proceeds from the exercise of warrants	17	1,875,500	13,669,856
Proceeds from the exercise of options	18	246,750	1,003,753
Subscriptions for shares from non-controlling interest		-	189,532
Cash flow from financing activities		2,285,196	61,967,506
<b>IMPACT OF FOREIGN EXCHANGE</b>			
		(602,442)	1,720,224
<b>Net increase in cash (decrease)</b>		(15,573,544)	12,923,038
Cash, beginning of year		18,796,914	5,873,876
Cash, end of year		3,223,370	18,796,914

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

**TENET FINTECH GROUP INC.**
**Consolidated Statements of Financial Position**

As at December 31, 2022 and December 31, 2021

(In Canadian dollars)

	Note	As at December 31, 2022	As at December 31, 2021
<b>ASSETS</b>			
Current			
Cash		3,223,370	18,796,914
Restricted cash	6.3-15	212,967	53,333
Loans receivable	7	16,154,854	17,553,358
Assets held for resale		308,081	320,959
Debtors	8.1	28,149,428	23,353,049
Deposits made for transactions on platforms	8.2	26,839,877	32,648,426
Prepaid expenses and other current assets		1,872,094	1,675,549
		76,760,671	94,401,588
Loans receivable	7	1,039,989	3,270,333
Deposit		76,474	-
Property and equipment	9	3,410,832	2,062,014
Investments	10	1,048,337	-
Intangible assets	11	32,011,270	32,845,799
Goodwill	11	26,609,797	62,522,554
Foreign deferred tax assets	19	310,097	190,835
		141,267,467	195,293,123
<b>LIABILITIES</b>			
Current			
Accounts payable, advances and accrued liabilities	12	10,926,447	16,268,296
Lease liabilities	13	493,852	432,621
Bonds	15	373,547	-
CEBA Loan	16	100,000	-
Current tax liabilities		4,112,006	3,625,683
		16,005,852	20,326,600
Bonds	15	-	313,234
CEBA Loan	16	-	100,000
Debentures	14	2,109,903	-
Lease liabilities	13	2,622,339	1,315,363
Foreign deferred tax liability	19	-	1,922,556
Canadian deferred tax liability	19	1,039,295	3,804,004
Contingent consideration payable	6.3	1,882,210	1,921,000
		23,659,599	29,702,757
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	17	211,232,131	208,219,490
Shares to be issued	17	-	150,000
Contributed surplus		23,356,969	21,531,185
Equity component of convertible debentures		221,465	-
Accumulated other comprehensive income		625,212	1,366,752
Deficit		(133,089,887)	(79,997,442)
Shareholders' equity attributable to owners of the parent		102,345,890	151,269,985
Non-controlling interest		15,261,978	14,320,381
Total shareholders' equity		117,607,868	165,590,366
		141,267,467	195,293,123

Going concern uncertainty (note 2)

Subsequent events (note 27)

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

On behalf of the Board,

 /S/ Johnson Joseph  
 Director

 /S/ Dylan Tinker  
 Director

## TENET FINTECH GROUP INC.

### Notes to Consolidated Financial Statements

Years ended December 31, 2022 and 2021

(In Canadian dollars)

#### 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 a group 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 Consolidated 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 will 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 takes into account 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 from operating activities currently being generated is not presently sufficient 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, there is no assurance that it will manage to obtain additional financing in the future. Also, the Company incurred a net loss of \$53,013,185 for the year ended December 31, 2022 (year ended December 31, 2021 - \$48,561,968), it has an accumulated deficit of \$133,089,887 as at December 31, 2022 (year ended December 31, 2021 - \$79,997,442) 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 outbreak of the COVID-19 global pandemic, many businesses around the world 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 and, 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 Consolidated 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 - CHANGES IN ACCOUNTING POLICIES

##### 3.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these Consolidated Financial Statements, new, but not yet effective, amendments to existing standards and interpretation have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's Consolidated Financial Statements.

#### 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 4.1 Statement of compliance with IFRS

The Consolidated Financial Statements of the Company have been prepared using accounting policies that are in accordance with International Financial Reporting Standards (IFRS).

The significant accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented, except for the newly adopted standards.

The Consolidated Financial Statements for the year ended December 31, 2022 (including comparative figures) were approved and authorized for the issue by the Board of Directors on March 30, 2023.

##### 4.2 Basis of measurement

These Consolidated Financial Statements are prepared on an accrual basis using the historical cost method.

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

Years ended December 31, 2022 and 2021  
(In Canadian dollars)

**4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**4.3 Basis of Consolidation**

These 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 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
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. ("AJP")	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
Huikie 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") (1)	China	80%	Technology based product procurement facilitator	Renminbi
Wuxi Suyetong Supply Chain Management Co., Ltd. ("SST") (1)	China	80%	Technology based product procurement facilitator	Renminbi
Jiangsu Steel Chain Technology Co., Ltd. ("STEELCHAIN") (1)	China	100%	Technology based steel trading platform facilitator	Renminbi

(1) Creation of new entities

In August 2022, the Company acquired a company called Jiangsu Supairui IOT Technology Co., Ltd. ("ASTH"), becoming a new partly owned subsidiary of AST. Following the transaction, the Company created, Wuxi Suyetong Supply Chain Management Co., Ltd. ("SST"), a wholly owned subsidiary of ASTH (note 6).

In October 2022, the Company acquired a company called Jiangsu Steel Chain Technology Co., Ltd. ("STEELCHAIN"), becoming a new fully owned subsidiary of AST (note 6).

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.

**4.4 Foreign currency translation**

**Functional and presentation currency**

The Consolidated Financial Statements are presented in Canadian dollars, which is also the functional currency of the parent company.

## TENET FINTECH GROUP INC.

### Notes to Consolidated Financial Statements

Years ended December 31, 2022 and 2021  
(In Canadian dollars)

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

##### Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the date of the transactions (spot exchange rate). Currency translation adjustment reflects the currency fluctuation between the functional currency of the Company's subsidiaries in Chinese (Renminbi) and the Company's functional currency (Canadian dollar) during the year. This element represents a theoretical profit or loss that can be materialized only if the underlying assets or liabilities to which the adjustment is attributed are realized. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in a foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value, which are translated using the exchange rates at the date when fair value was determined.

##### 4.5 Foreign operations

In the Consolidated Financial Statements, all assets, liabilities and transactions of the entities with a functional currency other than Canadian dollars are translated into Canadian dollars upon consolidation. The functional currency of the entities has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Canadian dollars at the closing rate at the reporting date. Revenues and expenses have been translated into Canadian dollars at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

##### 4.6 Segment reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision maker who is responsible for allocating resources and assessing the performance of the operating segments. The chief operating decision maker has been identified as the senior management team, which makes strategic and operational decisions.

For management purposes, the Company uses the same measurement policies as those used in its financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segments are not allocated to a segment. This primarily applies to the Company's headquarters.

##### 4.7 Revenue recognition

Revenue arises mainly from providing supply chain management services to customers, the rendering of financial services, and the delivery of IT related services. To determine whether to recognize revenue, the Company follows a five-step process:

- identifying the contract with a customer;
- identifying the performance obligations;
- determining the transaction price;
- allocating the transaction price to the performance obligations;
- recognizing revenue when performance of obligation is satisfied.

Revenue is recognized either at a point in time or over time when the Company satisfies performance obligations by transferring the promised goods or services to its customers.

##### Financial services

Financial services revenues include interest revenue earned from commercial loans to small and medium-sized businesses and entrepreneurs and fees earned for services rendered to financial institutions to manage loans made to their customers.

Interest revenue earned from commercial loans is recorded using the effective interest rate method.

##### Service fees

Service fee revenues include fees earned for services rendered to financial institutions to help them find loan candidates, determine what potential or existing customers to lend to, manage their credit risk exposure, and help facilitate their credit transactions through the Company's technology platforms.

Service fees earned for services rendered to financial institutions over time is calculated based on a percentage of the value of the transactions associated with the services or in some cases, represent the price to obtain risk analysis or similar types of reports, charged either per report or on a subscription basis.

## TENET FINTECH GROUP INC.

### Notes to Consolidated Financial Statements

Years ended December 31, 2022 and 2021

(In Canadian dollars)

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

##### Supply chain services

Supply chain services revenue relates to services provided to supply chain participants to allow them to acquire the materials they need on credit.

The services include a bundle of three services:

- assistance to get financing from financial institutions;
- assistance to find materials suppliers;
- assistance for the transportation and warehousing of the acquired materials.

Supply chain service revenue is earned when the Company satisfies performance obligation for all three elements by transferring the service to its customers. At this point, the customer is invoiced as follows:

Financing : A percentage of the value of the purchase order financed,

Material suppliers: A percentage of the value of the purchase order,

Transportation and warehousing: Percentage of the value of the purchase order established on a case-by-case basis according to the characteristics of the order, including location, quantity, storage time and other factors.

##### Information Technology (IT) applications and research & development (R&D) related services

The services are based on standard IT projects to be developed or R&D services to be rendered per the needs of each customer.

The services include:

- R&D work on specific IT solutions & services;
- Installation and set-up of specific IT solutions & services;
- Technical support to certain business processes;
- IT technical consulting & training.

The revenues for the delivery of IT applications and R&D related services are earned upon delivery or over time depending on when the Company satisfies the performance obligation as per the different business contracts.

#### 4.8 Assets held for resale

Assets held for sale are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable. Assets designated as held for sale are accounted for at the lower of their carrying amount at designation and fair value less costs to sell.

#### 4.9 Current and deferred income taxes

Tax expense recognized in profit or loss when applicable comprises the sum of deferred tax and current tax not recognized directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the Consolidated Financial Statements. Calculation of current tax is based on tax rates and tax laws that have been enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized directly in the equity, in which case the related deferred tax is also recognized in equity.

## TENET FINTECH GROUP INC.

### Notes to Consolidated Financial Statements

Years ended December 31, 2022 and 2021

(In Canadian dollars)

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

##### 4.10 Basic and diluted loss per share

Basic loss per share is calculated using the net loss and the weighted average number of outstanding shares during the year. Diluted loss per share is calculated by adjusting the weighted average number of outstanding shares, for the effects of all dilutive potential common shares which include convertible debentures, options and warrants. Since the Company has incurred losses, the diluted loss per share is equal to the basic loss per share due to the antidilutive effect of convertible debentures, options and warrants.

##### 4.11 Financial instruments

The Company classifies a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, transaction costs that are directly attributable to the acquisition of the financial asset or the financial liability where applicable.

###### Financial assets

The Company classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset contractual cash flow characteristics. The three categories are defined as follows:

- (a) Amortized cost - A financial asset is measured at amortized cost if both of the following conditions are met:
- the net asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets comprised of cash and restricted cash, loans receivable, debtors (except sales tax receivable), deposits made for transactions on platforms, and deposit are measured at amortized cost. After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

- (b) Fair value through other comprehensive income - Financial assets are classified and measure at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

- (c) Fair value through profit or loss - Any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

Equity investments, other than subsidiaries controlled by the Company or associate companies, are recorded at fair value through profit or loss. The equity investments are measured at fair value, using either active market transactions to value its investment or other valuation methods whenever no active market exists. Variation in fair value is recorded in the consolidated statements of comprehensive profit and loss.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

###### Impairment of financial assets

The Company assess the impairment of its loans receivables, debtors, deposits made for transactions on platforms, and deposit using the expected credit loss model. The Company considers a broader range of information when assessing credit risk and measuring expected credit loss including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

At the end of each reporting period, the Company applies a three-stage forward looking impairment approach for its loans, debtors, and deposits made for transactions on platforms to measure the expected credit loss (ECL).

###### Determining the stage

The ECL three-stage impairment approach is based on the change in the credit quality of financial assets and the credit quality have not deteriorated significantly since initial recognition. If the credit risk and the credit quality of non-impaired financial instruments has not deteriorated significantly since initial recognition, these financial instruments are classified in Stage 1, and an allowance for credit losses is measured and recorded at an amount equal to 12-month expected credit loss. When there is a significant increase in credit risk and the credit quality have deteriorated significantly since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and an allowance for credit losses is measured and recorded at an amount equal to lifetime expected credit losses. When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset has occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance for credit losses equal to lifetime expected losses continue to be recorded or the financial asset is written off.

The interest income is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the net carrying amount for financial assets in stage 3.



## TENET FINTECH GROUP INC.

### Notes to Consolidated Financial Statements

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

##### Measurement of Expected Credit losses (ECL)

ECLs are measured as the probability-weighted present value of all expected cash shortfalls over the remaining expected life of the financial instruments, and reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions is considered. The estimation and application of forward-looking information requires significant judgment. The cash shortfall is the difference between all contractual cash flows owed to the Company and all the cash flows that the Company expects to receive.

The measurement of ECLs is primarily based on the product of the financial instruments probability of default, loss given default, and exposure at default. Forward-looking macroeconomic factors such as credit default indices, interest rates and gross domestic product are incorporated into the risk parameters. The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. Due to the short-term nature of the Company's commercial loans, the forward-looking macroeconomic factors are generally not important to the Company.

A financial asset is deemed credit-impaired when one or more events with a detrimental impact on its estimated future cash flows have occurred. Such events could include but are not limited to 1) significant financial difficulty of the counterparty; 2) a breach of contract, such as a default or past-due event; or 3) the likelihood that the counterparty will enter bankruptcy or other financial reorganization.

Debtors and deposits made for transactions on platforms are written off (i.e. derecognised) 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 arrangement amongst other is considered indicators of no reasonable expectation of recovery.

The Company applies experienced credit judgment to adjust the modelled ECL results when it becomes evident that known or expected risk factors and information were not considered in the credit risk rating and modelling process.

Simplified approach has been used for the calculation of the ECL for accounts receivable.

##### Financial liabilities

The Company's liabilities include accounts payable, advances and accrued liabilities, contingent consideration payable, debentures, bonds and CEBA loan.

When the Company becomes a party to the contractual provisions of the financial instruments, these are initially measured at fair value adjusted for transaction costs unless the Company classified its financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for the contingent consideration payable classified at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

The liability and equity components of convertible debentures are presented separately on the consolidated statements of financial position starting from initial recognition.

The liability component is recognized initially at the fair value, by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method; the liability component is increased by accretion of the discounted amounts to reach the nominal value of the debentures at maturity.

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability from the amount of the debentures and is presented in shareholders' equity as equity component of convertible debentures. A deferred tax liability is recognized with respect to any temporary difference that arises from the initial recognition of the equity component separately from the liability component. The deferred tax is charged directly to the carrying amount of the equity component. Subsequent changes in the deferred tax liability are recognized through the consolidated statements of comprehensive profit and loss.

##### 4.12 Associate company

The Company applies the equity method in accounting investments in companies subject to significant influence ("associate company"). The share of the operating results of an associate company is recorded in the consolidated statements of comprehensive profit and loss. The cumulative Company's share of the associate company losses is limited to the recorded equity interest, except for obligation or payments assumed for another party. An impairment loss is recognized if any facts and circumstances indicate that the investment's fair value exceeds its carrying value.

## TENET FINTECH GROUP INC.

### Notes to Consolidated Financial Statements

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

##### 4.13 Property and equipment

Property and equipment 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. Property and equipment 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
IT and office equipment	2–5 years
Vehicles and other equipment	3–5 years
Right-of-use assets	0–10 years

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

##### 4.14 Intangible assets

Intangible assets acquired separately are initially recognized at acquisition cost and are subsequently measured at cost less accumulated depreciation and impairment losses. Intangible assets acquired through business combination are measured initially at their fair value as at the date of acquisition. After initial recognition, intangible assets are recorded at cost less accumulated amortization, if they are amortizable, and less accumulated impairment.

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

	Useful life
Fintech platforms (Gold River, Cubeler, and others)	5–8 years
Tradenname	5–8 years
Loan servicing agreements	10 years

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

##### 4.15 Business combinations

The Company applies the acquisition method in accounting for business combinations. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. The Company measures the non-controlling interest, if any, at the proportionate share in the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are recorded at their acquisition-date fair values.

After initial recognition, goodwill is measured at cost less any accumulated impairment.

##### 4.16 Impairment of goodwill and long-lived assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows called cash-generating units (CGUs). As a result, some assets are tested individually for impairment and some are tested at the CGU level. Goodwill is allocated to those CGUs that are expected to benefit from synergies of a related business combination and represent the lowest level within the group at which management monitors goodwill.

CGUs to which goodwill has been allocated (determined by the Company's management as equivalent to operating segments) are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's (or CGUs) carrying amount exceeds its recoverable amount which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use management estimates expected future cashflows from each CGU and determines a suitable discount rate in order to calculate the present value of those cashflows. The data used for impairment testing is directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each CGU and reflect current market assessments of the time value of money and asset specific risk factors.

Impairment losses for CGUs reduce first the carrying amount of any goodwill allocated to that CGU. Any remaining impairment loss is charged pro-rata to the other assets in the CGU.

With the exception of goodwill, all assets are subsequently reassessed for indications an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or CGU's recoverable amount exceeds its carrying amount.

## TENET FINTECH GROUP INC.

### Notes to Consolidated Financial Statements

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

##### 4.17 Provisions

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

##### 4.18 Equity

Capital stock represents the amount received on the issue of shares less incremental costs, net of tax, directly attributable to the issue of the shares. If shares are issued after share options or warrants are exercised, it also includes compensation costs previously recognized in contributed surplus.

##### Unit Placements ("Units")

The Company allocates the equity financing proceeds between common shares and warrants according to the relative fair value of each instrument. The fair value of the common shares is determined according to the market price of the shares on the Canadian Securities Exchange on the issuance date, and the fair value of the warrants is determined using the Black & Scholes pricing model.

Contributed surplus within equity includes amounts in connection with share options and warrants issued. When share options and warrants are exercised, the related compensation cost is transferred in capital stock.

When conversion of debentures occurs, the related cost is transferred from the equity component of convertible debentures to capital stock. The related issuance costs reduce the equity.

Deficit includes all current and prior period losses and the value of the extended warrants.

Accumulated other comprehensive income includes all current and prior period currency translation adjustment gain and losses.

##### 4.19 Share-based payments

The Company operates equity-settled share-based payment plans for its eligible directors, officers, employees and others providing similar services. None of the Company's plans features any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except warrants to brokers, agents and finders) are ultimately recognized as an expense in the profit or loss with a corresponding credit to contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing, are recognized as issuance costs and are presented as a reduction to the equity instruments with a corresponding credit to contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is an indication that adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

##### 4.20 Leased assets

The Company recognized a right-of-use asset and a lease liability with respect to a lease on the date the underlying asset is available for use by the Company (hereafter, the "commencement date").

The right-of-use asset is initially measured at cost, which includes the initial lease liabilities adjusted for lease payments on or before the commencement date, plus initial direct costs incurred and an estimate of all of the costs for dismantling and removing the underlying asset, less any lease incentives received as part of the contract.

The right-of-use asset is amortized over the shorter of the estimated useful life of the underlying asset or the lease term on a straight-line basis. Additionally, the cost of a right-of-use asset is reduced by any accumulated impairment losses and, as appropriate, adjusted for any remeasurement of the related lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date over the lease payments to be made over the lease term, calculated using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as its discounting rate. The lease payments included in the lease liability include the following, in particular:

## TENET FINTECH GROUP INC.

### Notes to Consolidated Financial Statements

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(In Canadian dollars)

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

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Lease payments relating to extension options that the Company is reasonably certain it will exercise.

Accordingly, lease payments and the lease liability include payments relating to lease and non-lease components.

The Company has elected not to recognize separately non-lease components of leases for office space (buildings).

The interest expense relating to lease liabilities is recognized in profit or loss using the effective interest method. New right-of-use assets and liabilities are non-cash transactions and thus excluded from the consolidated statement of cashflows.

The lease liability is remeasured when there is a change in future lease payments resulting from a change in an index or when the Company changes its measurement with respect to the exercise of a purchase, extension or termination option. The lease liability adjustment is adjusted against the related right-of-use asset or recorded in profit or loss if the right-of-use asset is reduced to zero.

Lease payments relating to leases for which the underlying asset is of low value are recognized on a straight-line basis as an expense in profit or loss. Low-value assets include computer equipment and small office furniture.

#### 4.21 Research & Development costs

Internally incurred research and development costs are recognized to the profit and loss accounts as incurred, except for project development costs that meet the criteria below:

- The product or process is defined, and costs are separately identified and reliably measured;
- The technical feasibility of the product or project is demonstrated, and the Group's experience in this area is established;
- Adequate resources are available to complete the project successfully;
- A potential market for the products exists or their usefulness, in case of internal use, is demonstrated;
- The Company intends to produce or market, or use the new product or process, and can demonstrate its profitability or existence of a market.

When all the above criterias meet, the development costs are capitalized as intangible assets.

The method of amortization is generally determined by reference to the expected period in which future economic benefits will be earned. If the method cannot be determined reliably, linear amortization is adopted. The period of amortization depends on the type of activity.

#### 5 - CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

##### 5.1 Estimates

##### 5.1.1 Share-based payments and warrants

The estimation of the fair value of options and warrants at the date of grant requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. Details of the assumptions used by the Company are given in notes 17 and 18.

##### 5.1.2 Impairment of goodwill and long-lived assets

Determining if there are any facts and circumstances as indicating impairment loss or reversal of impairment losses is a subjective process involving judgement and a number of estimates and assumptions in many cases.

In assessing impairment, management assesses the recoverable amount of each asset or CGU based on expected future cashflows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

##### 5.1.3 Leases

Recognizing leases requires judgment and use of estimates and assumptions. Judgment is used to determine whether there is reasonable certainty that a lease extension or cancellation option will be exercised. Furthermore, management estimates are used to determine the lease terms and the appropriate interest rate to establish the lease liability.

##### 5.1.4 Acquisition valuation method

The Company uses valuation techniques when determining the fair value of certain assets and liabilities acquired in a business combination. In particular, the fair value of each intangible assets is dependent on the outcome of many variables.

##### 5.1.5 Contingent considerations

Contingent consideration payable arising from business combinations is recognized and measured at fair value. The fair value is estimated using a discounted cash flow method and reflects management's assumptions including the acquirees' future profitability. The assumptions used requires judgment from management and could have an impact on the initial estimate of the contingent consideration payable recognized and on any subsequent variation in fair value recorded in the consolidated statements of profit and loss.

## TENET FINTECH GROUP INC.

### Notes to Consolidated Financial Statements

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#### 5 - CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONTINUED)

##### 5.2 Judgments

###### 5.2.1 Deferred tax assets

The Company must use certain assumptions and important accounting judgments to determine if deferred taxes can be recognized. Management has to evaluate whether it is more likely than not that they will be realized, taking into consideration all probable elements at their disposal to determine if all or part of deferred taxes will be recognized. To determine this probability, certain factors have to be taken into account, notably the Company's projection of future taxable income and determine in which fiscal period these profits should materialize.

###### 5.2.2 Going concern

The assessment of the Company's ability to continue as a going concern and to have sufficient funds to pay its ongoing operating expenditures, meet its liabilities the ongoing year, involve significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. More information about the going concern is disclosed in note 2.

###### 5.2.3 Classification of investments in equity

When the Company recognize an investment in equity all the relevant fact and circumstances are considered to determine the level of participation and influence on the operation and the classification of the asset as either an associate company or an other equity investment. Such fact and circumstances would include, but is not limited to, the percentage of ownership, the percentage of the voting rights, and the relative influence of other owners or partners in the investment.

#### 6 - BUSINESS COMBINATIONS

##### 6.1 Business combinations during the current year

###### 6.1.1 Acquisition of Jiangsu Supairui IOT Technology Co., Ltd. ("ASTH")

On August 1, 2022, the Company, through its AST subsidiary, acquired 80% of ASTH share capital and voting rights, effectively obtaining control of the company on that date. ASTH owns and operates a technology based product procurement platform that will be integrated into the Company's supply chain technology service offering and is expected to benefit the Company by enabling it to reach and develop additional markets in Mainland China. No consideration was paid upon the acquisition as the Company's business network is expected to benefit the non-controlling interest shareholder.

As at the acquisition date, the fair value of ASTH identifiable net assets acquired was estimated at \$137,007, based on management's valuation, resulting in a \$109,605 bargain purchase attributable to the owners of the parent, recorded through the consolidated statements of comprehensive profit and loss. The Company was able to obtain a bargain purchase on the transaction as its business network is expected to impact the acquired business's expected growth and benefit the investment of the non-controlling shareholder. The non-controlling interest recognized on the acquisition date was measured at its proportionate share of the acquiree's identifiable net assets of 20%.

From the date of acquisition, ASTH contributed \$839,565 in revenues and \$242,739 to loss before tax from continuing operations of the Company. If the combination had taken place at the beginning of the year, pro forma revenue from continuing operations would have been \$1,417,727 and pro forma loss before tax for the Company would have been \$805,832. The pro forma results of operations are not intended to reflect the results that would have actually occurred had the acquisition closed on January 1, 2022. Further, the pro forma results of operations are not necessarily indicative of the results that may be generated by the Company in the future or reflect future events that may occur following the acquisition in a subsequent period or periods. As at the transaction date, the other receivables' gross contractual amount, included in the identifiable net assets acquired, was \$682,717. Based on management's review of the account, the total other receivables amount is recoverable.

The bargain purchase of \$109,605 from the ASTH acquisition arises from the difference in the fair value of the net assets acquired over the purchase price. The Company was able to acquire ASTH with \$Nil consideration as its current network is expected to benefit the NCI shareholder in the future.

The ASTH acquisition has been determined to constitute a business combination and, accordingly, it has been accounted for using the acquisition method of accounting.

###### 6.1.2 Acquisition of Jiangsu Steel Chain Technology Co., Ltd. ("STEELCHAIN")

On October 1, 2022, the Company, through its AST subsidiary, acquired 100% of Steelchain share capital and voting rights, effectively obtaining control of the company on that date. Steelchain owns and operates a technology based steel transaction platform that will be integrated into the Company's supply chain technology service offering and is expected to benefit the Company by enabling it to reach and develop additional verticals in Mainland China.

The purchase price for the Steelchain business is based on contingent consideration, payable with the Company's shares upon achievement of contractually determined quarterly net income thresholds. The contingent consideration will be paid quarterly over the next 36 months, with maximum payments of \$800,000, plus any unpaid carried forward balance that may apply under the purchase agreement. As at October 1, 2022, the fair value of consideration payable under this agreement was estimated using management's forecast at a discount rate of 17.2%, at \$1,809,004.

As at the acquisition date, the fair value of the Steelchain identifiable net assets acquired was estimated at \$767,297 based on management's financial projections. The Company used assumptions about certain financial performance metrics and a discount rate of 17.2% to estimate the net present value of projected cashflows. The intangible assets acquired under the agreement have been identified as the Steelchain platform and included the technology with a value of \$1,809,004 and the goodwill with a value of \$1,041,707. The technology, included in the Other ERP Platforms, was estimated to have a useful life of 8 years.

The goodwill of \$1,041,707 arising from the Steelchain acquisition is due to the expected revenue growth that is expected to be generated with the integration of the acquired platform within its current software ecosystem. None of the goodwill is expected to be deductible for income tax purposes.

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**6 - BUSINESS COMBINATIONS (CONTINUED)**

From the date of acquisition, Steelchain contributed \$2,864,463 in revenues and \$109,588 to loss before tax from continuing operations of the Company. If the combination had taken place at the beginning of the year, pro forma revenue from continuing operations would have been \$4,169,480 and pro forma loss before tax for the Company would have been \$85,179. The pro forma results of operations are not intended to reflect the results that would have actually occurred had the acquisition closed on January 1, 2022. Further, the pro forma results of operations are not necessarily indicative of the results that may be generated by the Company in the future or reflect future events that may occur following the acquisition in a subsequent period or periods. As at the transaction date, the accounts receivables' gross contractual amount, included in the identifiable net assets acquired, was \$117,537. Based on management's review of the account, the total accounts receivables amount is recoverable.

The Steelchain acquisition has been determined to constitute a business combination and, accordingly, it has been accounted for using the acquisition method of accounting.

**6.1.3 Accounting for business combinations**

	ASTH <i>Final</i>	STEELCHAIN <i>Final</i>
<b>Fair value of consideration transferred</b>		
<b>Contingent consideration payable</b>		
Quarterly issuance of shares of the Company over the next 36 months - up to \$9.6m in value	-	1,809,004
Total estimated contingent consideration payable at October 1, 2022	-	1,809,004
Total consideration (paid and contingent consideration)	-	1,809,004
<b>Identifiable net assets acquired</b>		
Cash	93,277	258,681
Accounts receivable	682,717	117,537
Other receivables	-	2,770
Other current assets	32,308	362,229
Property and equipment	46,937	113,370
Intangible assets	285,150	1,210,568
Accounts payable and accrued liabilities	(983,492)	(927,068)
Lease liabilities	(19,890)	(68,148)
Deferred tax liability	-	(302,642)
Identifiable total net assets	137,007	767,297
Non-controlling interest	(27,402)	-
<b>Goodwill (Bargain purchase) arising on acquisition</b>		
Goodwill (Bargain purchase) attributable to Owners of the parent	(109,605)	1,041,707
	-	1,809,004
Consideration paid in cash	-	-
Cash and cash equivalents acquired	93,277	258,681
	93,277	258,681

**6.2 Business combinations during the previous year**

**6.2.1 Acquisition of Huike and Wechain**

On September 1, 2021, the Company, through its subsidiary ASDS, acquired 100% of the share capital of Beijing Huike Internet Technology ("Huike") and also 51% of the issued share capital of Wechain (Nanjing) Technology Service Co., Ltd ("Wechain"). A description of the non-controlling interest is included in note 23.

The Huike acquisition is considered in more detail in section 6.2.2 as part of the discussion on the acquisition of the Heartbeat platform.

Wechain, which was incorporated on September 16, 2020, was acquired to operate the Weiliangou (BBC) platform, which will develop analytics and AI software used by banks and financial institutions in China. As of the date of its acquisition by ASDS, Wechain had traded and incurred retained losses and had accrued outstanding net liabilities totalling \$216,422. The acquisition of Wechain was completed for no additional consideration and the net liabilities assumed gave rise to goodwill on consolidation totalling \$216,421, which was immediately treated as impaired and written off to in the consolidated statements of comprehensive profit and loss.

**6.2.2 Acquisition of Heartbeat Platform asset and associated business**

On September 1, 2021, the Company, through its ASDS, executed an agreement with shareholders of Huayan Kun Tai Technology Company Ltd ("Huayan") and Huike to purchase the assets and business known as the Heartbeat platform. The Heartbeat platform provides various solutions to insurers and insurance brokers in China and, in return, earns service fees based on the value of transactions occurring on the platform. The assets acquired comprised of the platform technology itself, owned by Huayan, and the operating assets of the business, owned by Huike. Huike also outsourced all employee functions to Huayan. Under the agreement, ASDS first acquired 100% of the share capital of Huike and then Huike acquired the Heartbeat platform from Huayan. At the same time, all Huayan employees associated with the operation of the Heartbeat platform were transferred to Huike. Prior to the acquisition date, Huike, which was incorporated on March 13, 2019, operated the Heartbeat platform through a licensing arrangement with Huayan. Huayan and Huike were related companies, having common shareholders. Together, the acquisition of Huike, the Heartbeat platform assets, and the Huayan employees operating the Heartbeat platform are collectively referred to as the "Heartbeat Business".

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#### 6 - BUSINESS COMBINATIONS (CONTINUED)

The purchase price for the Heartbeat Business totalled up to \$31,000,000, split between up front consideration totalling \$17,900,000, comprising cash of \$11,000,000 and the issuance of 600,000 common shares of the company valued at \$11.50 per share (\$6,900,000). The initial equity consideration, while paid upfront, is contingent on achieving certain financial metrics related to net profit targets set for the business for the 4-month period ended December 31, 2021 and the year ended December 31, 2022. A further two share instalments with a maximum combined value of \$13,100,000 are payable as at December 31, 2022, and December 31, 2023, respectively, contingent on achieving additional net profit targets agreed for each calendar year. Consequently the total potential undiscounted payments Tenet may be required to make under this arrangement range between \$Nil and \$20,000,000. As at September 1, 2021, the fair value of consideration payable under this agreement was estimated using a discount rate of 66%, at \$23,377,574.

The fair value of the Heartbeat platform and tradename acquired was estimated at \$7,475,000 based on management's financial projections for those assets over the first 28 months of operations and an external valuation commissioned by management. The Company used probabilityweighted estimates, assumptions about certain financial performance metrics and an appropriate discount rate to estimate the net present value of projected cashflows. The intangible assets acquired under the agreement have been identified as the Heartbeat insurance product management and brokerage Heartbeat platform (\$7,471,000) and the Heartbeat tradename (\$4,000). These assets are each considered to have a useful life of 8 years.

The preliminary goodwill of \$18,495,409 arising from the Heartbeat acquisition arises from the expected significant revenue growth associated with the successful execution of the expansion plans to provide an insurance-tech platform for small and medium enterprises. The purchase price allocation was subsequently finalized during the year, resulting in an adjusted goodwill of \$17,238,835 (see note 6.3). None of the goodwill is expected to be deductible for income tax purposes.

From the date of acquisition, Heartbeat platform contributed \$255,627 of revenue and \$479,652 to loss before tax from continuing operations of the Company.

#### 6.2.3 Acquisition of Cubeler Inc

On October 1, 2021, the Company acquired 100% of the outstanding shares of Cubeler Inc. ("Cubeler"). Cubeler, a Canadian company incorporated on July 30, 2015, owns the Cubeler software (the "Cubeler Software"). Cubeler, through the Cubeler Software, has the technology and business model to offer a business development platform and ecosystem in chosen markets worldwide (the "Cubeler Platform"). Prior to acquisition, Cubeler was developing a business model, under which its business development platform offer SMEs easy access to funding sources, advertising on the ecosystem, the ability to network with other members, and access to exclusive market intelligence reports. Cubeler's primary target market is North America, with the potential to expand to other markets and geographies in the future. In exchange for the services offered, members will agree to share their business financial data with Cubeler, which it will aggregate, anonymize, and use to generate revenue. Cubeler would also grant exclusive licenses for third parties to use the Cubeler Software in specified markets and geographies. Prior to the acquisition of Cubeler, Tenet was only licensed to use and commercialize the Cubeler software in the Chinese market.

Tenet's acquisition of Cubeler allows it to access the North American market but also secures its rights to use the Cubeler Software in the Chinese market in perpetuity.

Under the terms of the Cubeler acquisition, Tenet paid consideration with a fair value totalling \$107,654,255, comprising \$1,000,000 in cash and a total of 11,133,012 common shares of Tenet at \$9.58 per share.

The fair value of the common shares issued as part of the consideration paid for Cubeler Inc. was determined based on the quoted market value of the stock price of the Company on the acquisition price.

The Cubeler Inc. acquisition constitutes a related party transaction, as some directors and officers were shareholders. As a group, the Company's directors and officers owned approximately 40% of Cubeler Inc.

#### *Pre-existing relationship between Tenet and Cubeler - Software and Royalty Licensing Agreement.*

Pursuant to the terms of a Software and Royalty Licensing Agreement dated March 27, 2017, between Tenet (then Peak Positioning Technologies Inc) and Cubeler, as amended (the "Licensing Agreement"), Cubeler granted an exclusive license Tenet to use and commercialize the Cubeler Software in China for 10 years. Since then, Tenet, using the Cubeler Software, has created the Business Hub, an ecosystem of lenders, borrowers and other participants in China's commercial lending space where lending operations are conducted rapidly, safely, efficiently and with transparency.

The Licensing Agreement represented a pre-existing contractual relationship between the parties that was settled on the date of acquisition. As part of the validation of the purchase price for the Cubeler acquisition, Tenet's management obtained third party opinions about current market royalty rates for similar technology assets and markets, which indicated that the existing royalty terms between the parties were in line with current market rates and, consequently, no gain or loss arose on the effective settlement of this pre-existing relationship, arising as a result of the business combination.

From the date of acquisition, Cubeler Inc. contributed nil of revenue and \$54,446,089 to loss before tax from continuing operations of the Company. This loss includes the impairment of goodwill of Cubeler of \$41,170,000 and the impairment of intangible assets of \$11,978,283. If the combination had taken place at the beginning of the year, pro forma revenue from continuing operations would have been \$259,032 and pro forma loss before tax for the Company would have been \$54,552,076. The pro forma results of operations are not intended to reflect the results that would have actually occurred had the acquisition closed on January 1, 2021. Further, the pro forma results of operations are not necessarily indicative of the results that may be generated by the Company in the future or reflect future events that may occur following the acquisition in a subsequent period or periods.

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**6 - BUSINESS COMBINATIONS (CONTINUED)**

**6.2.4 Accounting for business combinations in the previous year**

	Heartbeat		Wechain	Cubeler
	Preliminary	Final	Final (1)	Final (1)
<b>Fair value of consideration transferred</b>				
<b>Consideration paid</b>				
Cash	11,000,000	11,000,000	-	1,000,000
<b>Contingent consideration paid</b>				
Issuance of 600,000 shares of the Company at \$11.50/share	6,900,000	6,900,000	-	-
Issuance of 11,133,012 shares of the Company at \$9.58/share			-	106,654,255
<b>Total consideration paid as at year end</b>	<b>17,900,000</b>	<b>17,900,000</b>	<b>-</b>	<b>107,654,255</b>
<b>Contingent consideration payable</b>				
Issuance of shares of the Company on				
December 31, 2022 - up to \$7.1m in value	3,717,074	2,916,000	-	-
Issuance of shares of the Company on				
December 31, 2023 - up to \$6.0m in value	1,760,500	1,305,000	-	-
<b>Total estimated contingent consideration payable at September 1, 2021</b>	<b>5,477,574</b>	<b>4,221,000</b>	<b>-</b>	<b>-</b>
<b>Total consideration (paid and contingent consideration)</b>	<b>23,377,574</b>	<b>22,121,000</b>	<b>-</b>	<b>107,654,255</b>
<b>Identifiable net assets acquired</b>				
Cash	185,830	185,830	308,867	441,891
Other receivables	-	-	-	228,346
Other current assets	292,547	292,547	384	132,579
Property and equipment	1,574	1,574	12,942	190,609
Heartbeat Platform	7,471,000	7,471,000	-	23,862,000
Tradenname	4,000	4,000	-	5,283,000
Other non-current assets	-	-	3,310	-
Accounts payable and accrued liabilities	(1,204,036)	(1,204,036)	(541,925)	(108,965)
Lease liabilities	-	-	-	(179,807)
Deferred tax liability	(1,868,750)	(1,868,750)	-	(7,332,543)
CEBA Loan	-	-	-	(60,000)
<b>Identifiable total net assets</b>	<b>4,882,165</b>	<b>4,882,165</b>	<b>(216,422)</b>	<b>22,457,110</b>
Non-controlling interest	-	-	-	-
<b>Goodwill (Bargain purchase) arising on acquisition</b>				
Goodwill (Bargain purchase) attributable to Owners of the parent	18,495,409	17,238,835	216,422	85,197,145
	<b>23,377,574</b>	<b>22,121,000</b>	<b>-</b>	<b>107,654,255</b>
Consideration paid in cash	11,000,000	11,000,000	-	1,000,000
Cash and cash equivalents acquired	(185,830)	(185,830)	(308,867)	(441,891)
	<b>10,814,170</b>	<b>10,814,170</b>	<b>(308,867)</b>	<b>558,109</b>

(1) During the year, the Company finalized the calculation of its purchase price allocation for Wechain and Cubeler. No additional adjustments were made on the preliminary conclusion initially disclosed.

**6.3 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 up to date management assumptions of the Heartbeat and Steelchain expected financial performance compared to agreed targets and discounts the results accordingly.

As at December 31, 2022, the Company revalued the contingent consideration payable related to the Heartbeat & Steelchain acquisitions resulting in a gain of \$664,426 (2021 - \$3,556,574) and a loss of \$73,206 (2021 - \$Nil) respectively which were recorded in the consolidated statements of comprehensive profit and loss. In addition, the calculation of the purchase price allocation relating to the Heartbeat Platform acquisition was finalized during the period. The final fair value of Heartbeat and the related contingent consideration, based on the final discounted cashflow model approved by management, was estimated using a discount rate of 80%, resulting in a final valuation of \$22,121,000. This resulted in a Goodwill reduction adjustment arising from the transaction of \$1,256,574 and an equivalent amount was debited in contingent consideration payable.

As at December 31, 2022, the value of the contingent considerations payable were estimated at respectively, \$Nil (2021 - \$1,921,000) and \$1,882,210 (2021 - \$Nil) for the Heartbeat & Steelchain acquisitions.

During 2022, the Company reserved an amount of \$196,300 for one of its upstream supply chain suppliers during the normal course of operations and recorded it as restricted cash in the Consolidated Statements of Financial Position.



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**7 - 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 that are 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 represents typically between 40% to 80% of the collateral value with an average of 79% as at December 31, 2022 (76% as at December 31, 2021). The second-hand vehicles collateral value is evaluated at the beginning of the loan and periodically during the life of the loan, based on an industry recognized used car guide which has been 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 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 SMEs borrowers. To mitigate the default risk in the case of any overdue situation incurred re these credit loans, a letter of guarantee must also be signed before the loan is finally granted to SMEs 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 SMEs borrowers in the tech industry through visits, phone calls and follow-up on business models development.

For the majority of loans granted, principal and interest are payable by the borrower on a monthly basis.

Loans receivable are summarized as follows :

	<b>2022</b>	<b>2021</b>
	<b>December 31</b>	<b>December 31</b>
Principal balance loans receivable	17,712,396	20,989,935
Less expected credit loss (ECL)	(517,553)	(166,244)
<b>Loans receivable net</b>	<b>17,194,843</b>	<b>20,823,691</b>
Loans receivable maturing in less than 12 months	16,154,854	17,553,358
Loans receivable maturing in more than 12 months	1,039,989	3,270,333
	<b>17,194,843</b>	<b>20,823,691</b>

***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 the Summary of significant accounting policies.

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**7 - 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 December 31, 2022 and December 31, 2021 according to credit quality and ECL impairment stages.

ECL is calculated at the period end 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%		45.5%	1.0%	2.0%
		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
		Gross Carrying Amount	Allowance for Credit Loss	Net Carrying Amount
<b>December 31, 2021</b>	<b>%</b>			
Stage 1: Not overdue <= 30 Days	85.2%	17,882,518	(3,362)	17,879,156
Stage 2: Overdue 30-90 days	2.6%	540,283	(3,000)	537,283
Stage 3: Overdue > 90 days	12.2%	2,567,134	(159,882)	2,407,252
	100.0%	20,989,935	(166,244)	20,823,691

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			
	Stage 1	Stage 2	Stage 3	Total ECL
<b>Loss allowance as at December 31, 2021</b>				
Originations net of repayments and other derecognitions	1	1,618	150,126	151,745
Net remeasurement	(21)	(590)	(33,095)	(33,706)
Transfers	(0)	-	371,905	371,905
- 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			
	Stage 1	Stage 2	Stage 3	Total ECL
<b>Loss allowance as at December 31, 2021</b>				
Originations net of repayments and other derecognitions	207	1,382	9,756	11,345
Change in model	(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			
	Stage 1	Stage 2	Stage 3	Total ECL
<b>Loss allowance as at December 31, 2021</b>				
Originations net of repayments and other derecognitions	3,154	-	-	3,154
Foreign exchange and other	(14)	-	-	(14)
	(48)	-	-	(48)
<b>Loss allowance as at December 31, 2022</b>	<b>3,092</b>	<b>-</b>	<b>-</b>	<b>3,092</b>

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

The loss allowance for loans to customers as at December 31, 2021, 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 December 31, 2020</b>	148	1,880	351,293	353,321
Originations net of repayments and other derecognitions	(139)	(1,535)	(156,264)	(157,938)
Net remeasurement	7	894	(33,302)	(32,401)
Transfers				
- to lifetime ECL credit-impaired	(13)	(144)	156	(1)
Write-offs	-	-	(22,147)	(22,147)
Foreign exchange and other	(2)	523	10,390	10,911
<b>Loss allowance as at December 31, 2021</b>	1	1,618	150,126	151,745

	Product Type - Residential property			Total ECL
	Stage 1	Stage 2	Stage 3	
<b>Loss allowance as at December 31, 2020</b>	295	1,452	4,994	6,741
Originations net of repayments and other derecognitions	(79)	790	90	801
Net remeasurement	-	-	3,645	3,645
Transfers				
- to lifetime ECL credit-impaired	(13)	(894)	907	-
Foreign exchange and other	4	34	120	158
<b>Loss allowance as at December 31, 2021</b>	207	1,382	9,756	11,345

	Product Type - Credit & Supply Chain Finance Credit			Total ECL
	Stage 1	Stage 2	Stage 3	
<b>Loss allowance as at December 31, 2020</b>	224,355	-	-	224,355
Originations net of repayments and other derecognitions	33,328	-	-	33,328
Net remeasurement	(259,815)	-	-	(259,815)
Foreign exchange and other	5,286	-	-	5,286
<b>Loss allowance as at December 31, 2021</b>	3,154	-	-	3,154

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

##### 8.1 Debtors

	2022	2021
	December 31	December 31
Sales tax receivable	1,013,910	271,514
Advances to companies	141,679	141,184
Deposit on investment (1)	-	498,750
Accounts receivable	17,315,127	9,632,651
Safety deposits with a guarantor	-	712,412
Subscriptions receivable from non-controlling interests	1,002,356	98,239
Promissory notes (2)	247,425	113,193
Subscriptions receivable of convertible debenture (note 14.1)	2,010,000	-
Prepayments to third party subcontractors (3)	6,418,931	11,885,106
	28,149,428	23,353,049

(1) As at December 31, 2021, ASDS, a subsidiary of the Company, agreed to participate in a future partnership agreement and provided 25% of the deposit representing \$498,750. The deposit was repaid to the Company during the year ending 2022 following the acquisition of SteelChain.

(2) 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 December 31, 2022, the aggregate outstanding principal amount due for said loans is \$247,425 (December 31, 2021 - \$113,193). 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.

(3) 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.

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**8 - DEBTORS AND DEPOSITS MADE FOR TRANSACTIONS ON PLATFORMS (CONTINUED)**

**8.2 Deposits made for transactions on platforms**

	<b>2022</b>	<b>2021</b>
	<b>December 31</b>	<b>December 31</b>
Deposits made for transactions on platforms with guarantee (1)	26,339,312	31,142,201
Deposits made for transactions on platforms (2)	500,565	1,506,225
	<b>26,839,877</b>	<b>32,648,426</b>

(1) 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. As collateral, the Company obtains a contractual right to claim 10% to 20% of the merchandise in the event of a default.

(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 December 31, 2022, an amount of \$1,557,953 (December 31, 2021 - \$12,128) was recorded as expected credit loss in the consolidated statements of comprehensive profit and loss.

**9 - PROPERTY AND EQUIPMENT**

	<b>Right-of-Use Assets</b>	<b>IT &amp; Office Equipment</b>	<b>Vehicles &amp; Other Equipment</b>	<b>Total</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>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, 2022</b>	<b>1,830,798</b>	<b>156,195</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>65,042</b>	<b>3,410,832</b>
<b>Gross carrying amount</b>				
Balance as at January 1, 2021	1,136,485	122,336	205,358	1,464,179
Amounts acquired in a business combination	179,812	25,312	-	205,124
Additions	1,808,761	54,210	-	1,862,971
Disposals	(57,432)	-	(13,965)	(71,397)
<b>Balance as at December 31, 2021</b>	<b>3,067,626</b>	<b>201,858</b>	<b>191,393</b>	<b>3,460,877</b>
<b>Accumulated amortization</b>				
Balance as at January 1, 2021	800,068	70,353	64,391	934,812
Depreciation	286,850	41,726	48,413	376,989
Other adjustments	99,715	-	-	99,715
Revaluation of Right-of-use assets	9,978	-	-	9,978
Disposals	-	21	(7,739)	(7,718)
Exchange differences	(10,356)	(1,227)	(3,329)	(14,912)
Balance as at December 31, 2021	1,186,255	110,873	101,736	1,398,863
<b>Net carrying amount as at December 31, 2021</b>	<b>1,881,371</b>	<b>90,985</b>	<b>89,657</b>	<b>2,062,014</b>

## TENET FINTECH GROUP INC.

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#### 10 - INVESTMENTS

	2022	2021
	December 31	December 31
Associate company (1)	66,836	-
Other equity investments (2,3)	981,500	-
	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 year, the Company recognized \$34,253 as a loss on investment in associate company 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 \$490,750 as at December 31, 2022.
- (3) The Company holds, through its ASFC subsidiary, a 5% equity interest in Wuxi Xincheng Venture Capital Partnership ("AVC"), a China-registered investment partnership. As per its shareholding agreement, the Company has a share capital commitment to provide an additional CNY 2.5m by December 31, 2023. The equity investment is valued at \$490,750 as at December 31, 2022.

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**11 - INTANGIBLE ASSETS AND GOODWILL**

The carrying value of the intangible assets as at December 31, 2022 and 2021, 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, 2022	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 combination	-	-	-	-	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, 2022	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>
<b>Gross carrying amount</b>								
Balance as at January 1, 2021	1,430,000	2,461,348	2,413,059	-	-	-	-	6,304,407
Amounts arising from business combinations	-	-	-	23,862,000	-	7,471,000	5,287,000	36,620,000
Addition	-	3,926,807	-	-	2,438,061	897,063	-	7,261,931
Transferred in	-	3,006,491	1,942,735	-	234,381	-	-	5,183,607
Transferred out	-	(2,678,325)	(2,270,901)	-	(234,381)	-	-	(5,183,607)
<b>Balance as at December 31, 2021</b>	<b>1,430,000</b>	<b>6,716,321</b>	<b>2,084,893</b>	<b>23,862,000</b>	<b>2,438,061</b>	<b>8,368,063</b>	<b>5,287,000</b>	<b>50,186,338</b>
<b>Accumulated amortization and impairment loss</b>								
Balance as at January 1, 2021	286,000	2,461,348	393,182	-	-	-	-	3,140,530
Amortization	143,000	424,934	295,868	745,688	81,730	410,966	165,095	2,267,281
Impairment loss on intangible	-	(193,717)	-	9,483,000	-	-	2,689,000	11,978,283
Exchange differences	-	-	(45,554)	-	-	-	-	(45,554)
<b>Balance as at December 31, 2021</b>	<b>429,000</b>	<b>2,692,565</b>	<b>643,496</b>	<b>10,228,688</b>	<b>81,730</b>	<b>410,966</b>	<b>2,854,095</b>	<b>17,340,540</b>
<b>Net carrying amount as at December 31, 2021</b>	<b>1,001,000</b>	<b>4,023,756</b>	<b>1,441,397</b>	<b>13,633,312</b>	<b>2,356,331</b>	<b>7,957,097</b>	<b>2,432,905</b>	<b>32,845,798</b>

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**11 - INTANGIBLE ASSETS AND GOODWILL (CONTINUED)**

The carrying value of the goodwill components by CGU as at December 31, 2022 and 2021, were as follows:

	Wechain	Heartbeat	Cubeler	Supply Chain Steelchain	Total goodwill
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>	-	17,238,835	8,329,255	1,041,707	26,609,797
Balance as at January 1, 2021	-	-	-	-	-
Amounts arising from business combinations	216,422	18,495,409	85,197,145	-	103,908,976
Impairment loss on goodwill	(216,422)	-	(41,170,000)	-	(41,386,422)
<b>Balance as at December 31, 2021</b>	-	18,495,409	44,027,145	-	62,522,554

**11.1 Impairment testing - Goodwill and other intangible assets for the current year**

Goodwill and intangible assets not yet available for use are tested each financial year for impairment and whenever events or changes in circumstances indicate that the carrying amount of individual intangible assets or CGUs may not be recoverable. Intangible assets with finite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of individual intangible assets.

For the purpose of impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below, and is compared to its recoverable amount.

For the purpose of impairment testing, at the time of the purchase price allocation, when goodwill arises it is allocated to the operating segments (Cash Generating Units ("CGUs")) expected to benefit from the synergies of the business combinations in which the goodwill arises. Impairment of goodwill is assessed by estimating the recoverable amount of the CGU to which goodwill has been allocated compared to the net carrying value of CGU assets (after any Stage 1 assessment is completed).

**Indicators of impairment - Heartbeat**

As at September 30, 2022, management revised downward its Heartbeat's business forecasted growth and net generated cash flows following the CGU latest operational performance. Management concluded that Heartbeat's economic performance during the last quarters met the criteria to assess the CGU and related intangible assets for impairment. As result, an impairment of \$4,218,826 was recognized through the consolidated statements of comprehensive profit and loss, based on a recoverable amount of \$9,807,232 at that time. There was no impairment on Goodwill.

**Stage 1 impairment review - Heartbeat**

The recoverable amounts of the intangible assets were determined individually, applying the Relief from Royalty Method, and compared to their respective carrying amounts. Where the carrying amount of any intangible asset exceeds its recoverable amount it was concluded that the intangible was impaired.

As at December 31, 2022, the recoverable amounts of the intangible assets in the Heartbeat CGU were reassessed to be as follows:

	Recoverable amount	Impairment
Heartbeat Technology	4,065,478	(4,218,826)
Heartbeat Tradename	15,156	-

**Stage 2 impairment review - Heartbeat**

As at December 31, 2022, the goodwill, recoverable amounts and related carrying values of the Heartbeat CGU were assessed to be as follows:

	Goodwill included in CGU	Recoverable amount	Carrying value	Impairment
Heartbeat CGU	17,238,835	22,701,461	22,183,343	-

The recoverable amount of the Heartbeat's CGU was determined based on fair value less cost to sell, using the discounted cash flow method of a five-year financial budget approved by management. The Heartbeat's CGU fair value less cost to sell model, considers a post-tax discount rate of 20.5% that reflects current market conditions and the specific risks to the CGUs.

The key assumptions used by management in setting the financial budgets for the initial five-year period are as follows: forecast sales growth rates are based on actual or expected contractual agreements, adjusted for market share gain due to new industry regulations in China, forecast operating profits based on historical experience, adjusted for expected increased operational efficiency and market level margins.

Cash flows, beyond that five-year period, consider a steady 3% per annum growth rate, based on the long-term average growth rate for the relevant markets as estimated by management.

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**11 - INTANGIBLE ASSETS AND GOODWILL (CONTINUED)**

The Heartbeat CGU's recoverable amount estimate is particularly sensitive to the discount rate due to significant uncertainties in the forecast, which are reflected in the selected discount rate. A 2% discount rate increase would result in a recognized goodwill impairment loss of \$400,436 instead of \$Nil. Management is not aware of any other reasonable change in key assumptions that would significantly vary the recoverable amount for the valuation.

**Indicators of impairment - Cubeler**

As at December 31, 2022, management revised Cubeler's business forecasted growth and net generated cash flows following the CGU latest operating performance. Management concluded that Cubeler's latest platform delivery delays and higher investment requirements met the criteria to assess the CGU and related intangible assets for impairment.

**Stage 1 impairment review - Cubeler**

The recoverable amounts of the intangible assets were determined individually, applying the Relief from Royalty Method, and compared to their respective carrying amounts. Where the carrying amount of any intangible asset exceeds its recoverable amount it was concluded that the intangible was impaired.

As at December 31, 2022, the recoverable amounts and impairment of the intangible assets in the Cubeler CGU were assessed to be as follows:

	Recoverable amount	Impairment
Cubeler Platform	10,192,900	(2,735,229)
Cubeler Tradename	2,464,320	-

**Stage 2 impairment review - Cubeler**

As at December 31, 2022, the goodwill, recoverable amounts and related carrying values of the Cubeler CGU were assessed to be as follows:

	Goodwill included in CGU	Recoverable amount	Carrying value	Impairment
Cubeler CGU	44,027,145	19,121,271	54,819,162	(35,697,890)

The recoverable amount of the Cubeler's CGU was determined based on fair value less cost to sell, using the discounted cash flow method of a five-year financial budget approved by management. The Cubeler's CGU fair value less cost to sell model, considers a post-tax discount rate of 42.0% that reflects current market conditions and the specific risks to the CGU.

The key assumptions used by management in setting the financial budgets for the initial five-year period are as follows: forecast sales growth rates are based on the review of available market data, forecasted operating expenses and investment based on historical experience, and market-level margins.

Cash flows, beyond that five-year period, consider a steady 2% per annum growth rate, based on the long-term average growth rate for the relevant markets as estimated by management.

The Cubeler CGU's recoverable amount estimate is particularly sensitive to the discount rate due to significant uncertainties in the forecast, which are reflected in the selected discount rate. A 2% discount rate increase would result in a recognized goodwill impairment loss of \$39,356,964 instead of \$35,697,890. Management is not aware of any other reasonable change in key assumptions that would significantly vary the recoverable amount for the valuation.

**Indicators of impairment and Stage 1 impairment review - Steelchain**

As at December 31, 2022, there were no events or changes in circumstances indicating that the carrying amount of individual intangible assets may not be recoverable.

**Stage 2 impairment review - Steelchain**

As at December 31, 2022, the goodwill, recoverable amounts and related carrying values of the Steelchain CGU were assessed to be as follows:

	Goodwill included in CGU	Recoverable amount	Carrying value	Impairment
Steelchain CGU	1,041,707	2,432,096	1,814,658	-

The recoverable amount of the Steelchain's CGU was determined based on fair value less cost to sell, using the discounted cash flow method of a five-year financial budget approved by management. The Steelchain's CGU fair value less cost to sell model, considers a post-tax discount rate of 17.2% that reflects current market conditions and the specific risks to the CGU.

The key assumptions used by management in setting the financial budgets for the initial five-year period are as follows: forecast sales growth rates are based on the review of available market data, forecasted operating expenses and investment based on experience, and market-level margins.

Cash flows, beyond that five-year period, consider a steady 2% per annum growth rate, based on the long-term average growth rate for the relevant markets as estimated by management.



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**11.2 Impairment testing - Goodwill and other intangible assets for the prior year**

**Indicators of impairment**

**Heartbeat**

As at December 31, 2021, management revised outwards the timeline for its forecast of Heartbeats expansion phase and consequently revised downwards its estimates of fiscal year 2022-2024 revenue growth for the Heartbeat business. Management concluded that this downgrade of the economic performance of the Heartbeat CGU met the criteria to assess the business for impairment.

**Cubeler**

As at December 31, 2021, management also revised its forecast of Cubeler's North America expansion, significantly reducing the level and expected timing of revenue growth over the forecast period ("North American Business Opportunity"). Management therefore concluded that the economic performance of the Cubeler CGU may be lower than expected and this thus meets the criteria to assess for impairment.

**Wechain**

As discussed in note 6,1, at the date of its acquisition by ASDS, Wechain had traded and incurred retained losses and had accrued outstanding net liabilities totalling \$216,421. The acquisition of Wechain was completed for nil consideration and the net liabilities assumed gave rise to goodwill on consolidation totalling \$216,421. The prior trading performance of Wechain and its net deficit position on acquisition indicated to management the Wechain goodwill was impaired and written off to profit and loss.

**Stage 1 impairment review**

The recoverable amounts of the intangible assets were determined individually (applying the Relief from Royalty Method or the Multi-Excess Earnings Method ("MEEM") and compared to their respective carrying amounts). Where the carrying amount of any intangible asset exceeds its recoverable amount it was concluded that the intangible was impaired.

As at December 31, 2021, the recoverable amounts and impairment of the intangible assets in the Heartbeat and Cubeler CGUs were assessed to be as follows:

	<u>Recoverable amount</u>	<u>Impairment</u>
Heartbeat platform	7,109,000	-
Heartbeat tradename	16,000	-
Cubeler platform	14,814,000	(9,483,000)
Cubeler tradename	2,429,000	(2,689,000)

**11 - INTANGIBLE ASSETS AND GOODWILL (CONTINUED)**

**Stage 2 impairment review**

As at December 31, 2021, the goodwill, recoverable amounts, related carrying values, and impairment of the CGUs were assessed to be as follows:

	<u>Goodwill included in CGU</u>	<u>Recoverable amount</u>	<u>Carrying value</u>	<u>Impairment</u>
Heartbeat CGU	18,495,409	23,137,000	23,146,000	-
Cubeler CGU	85,197,145	44,416,000	85,586,000	(41,170,000)
Wechain CGU	216,422	-	216,422	(216,422)

The recoverable amounts of the CGUs were determined based on value in use calculations which use cash flow projections based on financial budgets approved by the directors covering a five-year period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The rates used to discount the forecast cash flows for Heartbeat is 66.1% and for Cubeler is 40.8% which are similar discount rates as used in the PPA analysis when the businesses were acquired.

The key assumptions used by management in setting the financial budgets for the initial five-year period include are as follows: For Heartbeat, forecast sales growth rates are based on past experience adjusted for gaining of market share due to new industry regulations in China. Operating profits are forecasted based on historical experience of operating margins, adjusted for increased operating efficiency. For Cubeler, forecast sales growth rates are based on past experience adjusted for its forecasted expansion of its service offering in North America and revenue growth driven by increase subscription to its data platform which was historically solely used by the Company. Operating profits are forecast based on historical experience of operating margins recognizing the fact that its operating expenses are fixed in nature.

Cash flows beyond that five-year period have been extrapolated using a steady 3% per annum growth rate for Heartbeat and 2% per annum growth rate for Cubeler. This growth rate does not exceed the long-term average growth rate for the relevant markets. The steady growth rate of 2-3% is estimated by the directors based on past performance of the CGUs and their expectations of market development.

The estimates of recoverable amount for the Cubeler and Heartbeat CGUs are particularly sensitive to the discount rate due to uncertainties with respect to the forecast. For the Cubeler CGU, if the discount rate used is increased by 5%, a further impairment loss of \$9,316 would have to be recognized. For the Heartbeat CGU, if the discount rate used is increased by 5%, a further impairment loss of \$1,663 would have to be recognized. Management is not currently aware of any other reasonably possible changes to key assumptions that would cause the carrying amount of the Cubeler and Heartbeat CGUs that could impact significantly the estimate of their recoverable amount.

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**12 - ACCOUNTS PAYABLE, ADVANCES AND ACCRUED LIABILITIES**

	<b>2022</b>	<b>2021</b>
	December 31	December 31
Trade accounts payable and accruals	6,267,506	5,224,124
Advance from third-party customers, no interest	170,084	3,021,224
Contract liabilities with third-party customers, no interest (1,2)	4,488,857	8,022,948
	<b>10,926,447</b>	<b>16,268,296</b>

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

(2) The table below provides a reconciliation of the significant changes included in Contract liabilities with third-party customers.

	<b>2022</b>	<b>2021</b>
	December 31	December 31
Balance at the beginning of the year	8,022,948	35,724
Increase in contract liabilities during the year	90,988,953	109,479,462
Revenue recognized for balances included in Contract liabilities balance at the beginning of the year	(6,927,483)	-
Revenue recognized for Contract liabilities originated during the year	(87,441,774)	(101,493,081)
Other	(26,330)	-
Exchange differences	(127,457)	843
Balance at the end of the year	<b>4,488,857</b>	<b>8,022,948</b>

**13 - LEASE LIABILITIES**

	<b>2022</b>	<b>2021</b>
	December 31	December 31
Balance – beginning of period	1,747,984	239,507
Amounts arising from business combination	88,038	-
Additions	1,784,757	1,977,352
Accretion interest	177,021	65,908
Lease payments	(691,454)	(565,880)
Effect of exchange rate change on obligation	9,845	31,097
Balance – end of period	<b>3,116,191</b>	<b>1,747,984</b>
Current Portion	493,852	432,621
Non-current Portion	<b>2,622,339</b>	<b>1,315,363</b>

Following is a summary of the Company's obligations regarding lease payments:

As at December 31, 2022	Payment due by period			
	1 year	2 - 5 years	Beyond 5 years	Total
Lease payments	610,493	2,346,799	2,561,137	5,518,428

As at December 31, 2021	Payment due by period			
	1 year	2 - 5 years	Beyond 5 years	Total
Lease payments	561,677	951,334	729,289	2,242,301

**14 - DEBENTURES**

The carrying value of the debentures as at December 31, 2022 and 2021, were as follows:

	<b>2022</b>	<b>2021</b>
	December 31	December 31
Debenture issuance of December 23 (note 14.1)	2,109,903	-

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**14 - DEBENTURES (CONTINUED)**

**14.1 Debenture issuance of December 23, 2022**

On December 23, 2022, the Company placed 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 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 allow 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.

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 which 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 year ended December 31, 2022 and 2021, relating to this debenture can be summarised as follows:

	<b>2022</b>	<b>2021</b>
	<b>December 31</b>	<b>December 31</b>
Balance at the beginning	-	-
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	2,093,772	-
Accretion of debentures	14,085	-
Amortization of financing issuance costs	2,046	-
Balance at the end of the year	2,109,903	-

The fair value of the 179,900 finder's warrants was \$54,417 recorded as consulting fees in the consolidated statements of comprehensive profit or loss. The fair value was calculated using the Black & Scholes option pricing model and the following weighted average 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 December 31, 2022, a balance from the convertible debentures subscriptions totalling \$2,010,000 was recorded in the debtors.

**15 - 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").

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**15 - 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 December 31, 2022, is \$16,667 (December 31, 2021 - \$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 fair value of the warrants of \$614 was calculated using the Black & Scholes option pricing model and the following weighted average assumptions:

Share price at the date of grant	\$0.60
Expected life	3 years
Risk-free interest rate	0.29%
Expected volatility (1)	83.12%
Dividend	0%
Exercise price at the date of grant	\$2.00

The Company also granted 28,500 compensation warrants to eligible persons who helped place the bonds units entitling them to purchase a number of Tenet common shares equal to 8.0% of the value of debentures they help place, at a price of \$1.00 per common share for a 36-month period following the closing date.

The fair value of the compensation warrants of \$6,995 was calculated using the Black & Scholes option pricing model and the following weighted average assumptions and was presented as issuance cost of the bonds:

Share price at the date of grant	\$0.60
Expected life	3 years
Risk-free interest rate	0.29%
Expected volatility (1)	83.12%
Dividend	0%
Exercise price at the date of grant	\$1.00

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

The movement during the years ended December 31, 2022 and 2021, relating this bond can be summarised as follows:

	2022	2021
	December 31	December 31
Balance at the beginning	313,234	258,933
Accretion on debentures and bonds	33,339	27,327
Amortization of initial costs	26,974	26,974
Balance at the end	373,547	313,234

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

**16 - 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.

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**17 - SHAREHOLDERS' EQUITY**

**17.1 Authorized share capital**

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

**Share Consolidation**

Effective July 27, 2021, the Company consolidated its issued and outstanding common shares on the basis of one post-consolidation share for two pre-consolidation shares. Unless otherwise stated, all share amounts have been restated retrospectively to reflect this share consolidation.

**17.2 Description of the shareholders' equity operations during the current year**

- a) During the twelve-month period ended December 31, 2022, the Company issued 2,259,500 common shares at an average exercise price of \$0.90 per share for total proceeds of \$2,025,500 upon the exercise of share purchase warrants, out of which, \$150,000 was received in 2021. An amount of \$522,971 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.

**17.3 Description of the shareholders' equity operations during the previous year**

- a) During the year ended December 31, 2021, \$25,000 of secured debentures with a conversion price of \$1.00 per share were converted into common shares of the Company. At the date of conversion these debentures had an amortized cost totalling \$23,994. The Company therefore issued 25,000 common shares to the debenture holders and recorded \$23,994 in share capital. In addition, amounts of \$3,489 related to these debenture conversions, were transferred to capital stock from conversion options in the consolidated statement of financial position.
- b) During the year ended December 31, 2021, the Company issued 21,672 common shares at an average price of \$3.91 per share to settle \$84,750 for services received by the Company, of which \$60,000 was recorded in public relations fees in the consolidated statements of comprehensive loss, \$16,950 was recorded against accounts payable and accruals in the consolidated statements of financial position.
- c) During the year ended December 31, 2021, the Company issued 12,106,739 common shares at an average exercise price of \$1.13 per share for total proceeds of \$13,519,856 upon the exercise of share purchase warrants, and \$4,072,335 related to exercised warrants were transferred from contributed surplus to share capital in the consolidated statements of changes in equity (note 16.4).
- d) During the year ended December 31, 2021, the Company issued 607,500 common shares at an average exercise price of \$1.59 per share for total proceeds of \$968,753 upon the exercise of stock options, and \$921,690 related to exercised stock options were transferred from contributed surplus to share capital in the consolidated statements of changes in equity (note 17).
- e) On April 8, 2021 the Company issued the final tranche of 511,168 common shares at \$0.79 per share with a total consideration of \$403,610 in relation to a business combination (refer note 6). Consequently \$403,610 was credited to share capital with the offset being debited to equity to issue in the consolidated statement of changes in equity.
- f) On July 7, 2021, the Company closed a short-form prospectus financing consisting of the sale of 13,149,999 units (a "Unit") at a price of \$4.00 per Unit for proceeds of \$52,600,000 (net proceeds of \$47,981,290 after related expenses). Each unit consists of one (1) common share and half (0.5) common share purchase warrant. The share consolidation of 2 for 1 made on July 27, 2021 does not affect the actual warrants linked to this prospectus. Two (2) warrants entitle the holder to purchase one (1) share of the Company at the price of \$7.00 each for a period of twenty-four (24) months from the date of issuance.

The fair value of the 13,149,999 warrants was \$13,397,109. The value attributed to contributed surplus was \$10,677,558. The fair value was calculated using the Black & Scholes option pricing model and the following weighted average assumptions:

Share price at the date of grant	\$3.92
Expected life	2 years
Risk-free interest rate	0.48%
Volatility	127%
Dividend	0%
Exercise price at the date of grant	\$7.00

Tenet also granted 1,841,000 compensation warrants to eligible persons who helped place the private placements entitling them to purchase 920,500 common shares of Tenet at a price of \$7.00 per common share for a twenty-four-month period from the issuance.

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**17 - SHAREHOLDERS' EQUITY (CONTINUED)**

The fair value of the 1,841,000 compensation warrants was \$1,875,595 which was recorded in share issue costs and have been disclosed as a reduction in share capital in the consolidated statements of changes in equity with the credit recorded in contributed surplus. The fair value of the warrants was calculated using the Black & Scholes option pricing models and the following weighted average assumptions:

Share price at the date of grant	\$3.92
Expected life	2 years
Risk-free interest rate	0.48%
Volatility	127%
Dividend	0%
Exercise price at the date of grant	\$7.00

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

In connection with the short-form prospectus financing, the Company incurred share issue costs totalling \$6,494,305 which have been disclosed as a reduction in share capital in the consolidated statements of changes in equity.

- g) On October 1, 2021 the Company issued 11,133,012 common shares at \$9.58 per share with a total consideration of \$106,654,255 in relation to a business combination (refer note 6). Consequently \$106,654,255 was credited to share capital with the offset being debited to equity to issue in the consolidated statement of changes in equity.
- h) On October 5, 2021 the Company issued a first tranche of 600,000 common shares at \$11.50 per share with a total consideration of \$6,900,000 in relation to a business combination (refer note 6). Consequently, \$6,900,000 was credited to share capital with the offset being debited to equity to issue in the consolidated statement of changes in equity.

**17.4 Warrants**

The outstanding warrants as at December 31, 2022 and December 31, 2021 and the respective changes during the year, are summarized as follows:

	December 31, 2022		December 31, 2021	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	17,332,504	3.06	14,662,750	0.97
Granted	3,259,900	2.00	14,990,999	3.50
Expired	(584,691)	0.50	(15,000)	1.33
Exercised	(2,259,500)	0.90	(12,306,245)	1.11
Outstanding and exercisable, end of period	17,748,213	3.22	17,332,504	3.06

As at December 31, 2022 and December 31, 2021, the number of outstanding warrants which could be exercised for an equivalent number of common shares at 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:

	December 31, 2022		December 31, 2021	
	Number	Exercise price	Number	Exercise price
Expiration date				
February, 2022	–	–	360,000	2.00
July, 2022	–	–	585,000	0.50
August, 2022	–	–	1,298,690	0.50
October, 2022	–	–	350,000	0.80
October, 2022	–	–	250,000	1.50
May, 2023	3,000	2.00	3,500	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	1,601,837	3.50
December, 2024 (1)	3,080,000	2.00	–	–
December, 2024 (1)	179,900	2.00	–	–
	17,748,213		17,332,504	

(1) Includes the warrants to be issued as at December 31, 2022.

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**18 - 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 5 years from the date of the grant and 90 days following cessation of the optionee's 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 as at December 31, 2022, and December 31, 2021, and the respective changes year ended, are summarized as follows:

	December 31, 2022		December 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	4,689,250	1.93	4,351,750	1.34
Granted	333,542	2.90	945,000	4.45
Exercised (1)	(117,500)	2.10	(607,500)	1.59
Expired	(462,500)	1.87	-	-
Forfeited	(571,767)	3.20	-	-
Outstanding end of period	3,871,025	2.02	4,689,250	1.93
Exercisable end of period	2,734,800	1.50	2,488,550	1.39

(1) Market value of the shares 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 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	

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**18 - SHARE-BASED PAYMENTS (CONTINUED)**

The table below summarizes the information related to outstanding share options as at December 31, 2021.

Maturity date	Range of exercise price	Number of options	Weighted average remaining contractual life (years)
June 1, 2022	2.10	390,000	5 months
November 27, 2022	1.10	18,750	10 months
December 15, 2022	1.60	171,250	11 months
April 16, 2023	1.00	5,000	1 year and 3 months
June 5, 2023	1.00	288,750	1 year and 5 months
November 28, 2023	1.00	37,500	1 year and 10 months
May 1, 2024	1.00	50,000	2 years and 4 months
May 27, 2024	1.00	447,500	2 years and 4 months
September 5, 2024	1.00	10,000	2 years and 8 months
November 1, 2024	1.10	50,000	2 years and 10 months
November 12, 2024	1.00	5,000	2 years and 10 months
June 11, 2025	1.00	745,500	3 years and 5 months
August 7, 2025	0.45	250,000	3 years and 7 months
October 28, 2025	1.50	1,225,000	3 years and 9 months
November 6, 2025	2.70	50,000	3 years and 10 months
January 28, 2026	5.70	25,000	4 years and 0 months
March 22, 2026	5.50	55,000	4 years and 2 months
May 13, 2026	4.80	10,000	4 years and 4 months
July 7, 2026	4.10	825,000	4 years and 6 months
August 10, 2026	8.00	5,000	4 years and 7 months
October 28, 2026	11.50	25,000	4 years and 9 months
		4,689,250	

During the year ended December 31, 2022 the Company recorded an expense of \$2,188,570 related to share-based payments (periods ended December 31, 2021 - \$2,389,404). The offset was credited to contributed surplus.

**18.1 Share-based payments granted to directors and employees during the current year**

- a) On January 1, 2022 the Company granted options to acquire 32,725 common shares of the Company at an average exercise price of \$7.50 to employees.

The options vest over a two-year period and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$179,183, was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$7.15
Expected life	5 years
Risk-free interest rate	1.25%
Volatility	106%
Dividend	0%
Exercise price at the date of grant	\$7.50

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

- b) On February 1, 2022 the Company granted options to acquire 42,881 common shares of the Company at an average exercise price of \$5.60 to employees.

The options vest over a two-year period and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$173,796 was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$5.28
Expected life	5 years
Risk-free interest rate	1.63%
Volatility	106%
Dividend	0%
Exercise price at the date of grant	\$5.60

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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**18 - SHARE-BASED PAYMENTS (CONTINUED)**

- c) On March 1, 2022 the Company granted options to acquire 2,941 common shares of the Company at an average exercise price of \$4.10 to employees. The options vest over a two-year period and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$8,455 was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$3.80
Expected life	5 years
Risk-free interest rate	1.61%
Volatility	104%
Dividend	0%
Exercise price at the date of grant	\$4.10

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

- d) On April 1, 2022 the Company granted options to acquire 10,627 common shares of the Company at an average exercise price of \$4.16 to employees. The options vest over a two-year period and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$37,748, was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$3.96
Expected life	5 years
Risk-free interest rate	2.50%
Volatility	109%
Dividend	0%
Exercise price at the date of grant	\$4.16

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

- e) On May 1, 2022 the Company granted options to acquire 13,585 common shares of the Company at an average exercise price of \$5.13 to employees. The options vest over a two-year period and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$50,605, was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$4.89
Expected life	5 years
Risk-free interest rate	2.80%
Volatility	103%
Dividend	0%
Exercise price at the date of grant	\$5.13

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

- f) On June 1, 2022 the Company granted options to acquire 2,842 common shares of the Company at an average exercise price of \$2.55 to employees. The options vest over a two-year period and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$5,440, was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$2.43
Expected life	5 years
Risk-free interest rate	2.86%
Volatility	109%
Dividend	0%
Exercise price at the date of grant	\$2.55

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

**TENET FINTECH GROUP INC.**  
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**18 - SHARE-BASED PAYMENTS (CONTINUED)**

- g) On July 1, 2022 the Company granted options to acquire 5,763 common shares of the Company at an average exercise price of \$1.65 to employees.  
The options vest over a two-year period and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$6,589, was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$1.46
Expected life	5 years
Risk-free interest rate	3.06%
Volatility (1)	110%
Dividend	0%
Exercise price at the date of grant	\$1.65

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

- h) On August 1, 2022 the Company granted options to acquire 35,892 common shares of the Company at an average exercise price of \$1.41 to employees.

The options vest over a two-year period and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$34,636, was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$1.24
Expected life	5 years
Risk-free interest rate	2.80%
Volatility (1)	109%
Dividend	0%
Exercise price at the date of grant	\$1.41

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

- i) On September 1, 2022 the Company granted options to acquire 14,791 common shares of the Company at an average exercise price of \$2.08 to employees.

The options vest over a two-year period and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$22,581 was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$1.90
Expected life	5 years
Risk-free interest rate	3.37%
Volatility (1)	114%
Dividend	0%
Exercise price at the date of grant	\$2.08

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

- j) On October 1, 2022 the Company granted options to acquire 82,465 common shares of the Company at an average exercise price of \$1.18 to employees.

The options vest over a two-year period and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$78,751, was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$1.18
Expected life	5 years
Risk-free interest rate	3.28%
Volatility (1)	114%
Dividend	0%
Exercise price at the date of grant	\$1.24

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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**18 - SHARE-BASED PAYMENTS (CONTINUED)**

- k) On November 1, 2022 the Company granted options to acquire 17,500 common shares of the Company at an average exercise price of \$1.02 to employees.

The options vest over a two-year period and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$13,751 was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$0.97
Expected life	5 years
Risk-free interest rate	3.48%
Volatility (1)	114%
Dividend	0%
Exercise price at the date of grant	\$1.02

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

- l) On December 1, 2022 the Company granted options to acquire 34,057 and 32,473 common shares of the Company at an average exercise price between \$0.85 to \$3.59 to employees.

The options vest over a two-year period and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$22,250 and \$15,352, was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$0.81
Expected life	5 years
Risk-free interest rate	3.05%
Volatility (1)	114%
Dividend	0%
Exercise price at the date of grant	\$0.85 to \$3.59

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

**18.2 Options granted to consultants during the current year**

- a) On April 1, 2022 the Company granted options to acquire 5,000 common shares of the Company at an average exercise price of \$4.16 to a consultant.

The options vest over a period of nine months and are exercisable over a period of five years.

The fair value of the options granted, amounting to \$15,526 was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$3.96
Expected life	5 years
Risk-free interest rate	2.50%
Volatility	109%
Dividend	0%
Exercise price at the date of grant	\$4.16

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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**18 - SHARE-BASED PAYMENTS (CONTINUED)**

**18.3 Share-based payments granted to directors and employees during previous year**

- a) On January 28, 2021 the Company granted options to acquire 25,000 common shares of the Company at an average exercise price of \$5.70 to a director.

The options vest over a two-year period and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$103,780, was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$5.32
Expected life	5 years
Risk-free interest rate	0.46%
Volatility	111%
Dividend	0%
Exercise price at the date of grant	\$5.70

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

- b) On May 13, 2021, the Company granted 10,000 options to new employees at an exercise price of \$4.80 per share. The options are vesting over a periods of eight, sixteen and twenty-four-month following the date of granting and will be exercisable over a period of five years expiring in May 2026.

The options vest over a two-year period and are exercisable over a period of five years.

The fair value of the options granted, amounting to \$33,764, was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$4.40
Expected life	5 years
Risk-free interest rate	0.95%
Volatility	108%
Dividend	0%
Exercise price at the date of grant	\$4.80

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

- c) On July 7, 2021, the Company granted 825,000 options to certain directors, officers and key employees at an exercise price of \$4.10 per share. The options are vesting over a twenty-four-month period following the date of granting and will be exercisable over a period of five years expiring in July 2026.

The options vest over a period of eight, sixteen and twenty-four months and are exercisable over a period of five years.

The fair value of the options granted, amounting to \$2,424,249, was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$3.90
Expected life	5 years
Risk-free interest rate	0.93%
Volatility	104%
Dividend	0%
Exercise price at the date of grant	\$4.10

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

**TENET FINTECH GROUP INC.**  
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**18 - SHARE-BASED PAYMENTS (CONTINUED)**

**18.3 Share-based payments granted to directors and employees during previous year (continued)**

- d) On August 10, 2021, the Company granted 5,000 options to a new employee at an exercise price of \$8.00 per share. The options are vesting over a twenty-four-month period following the date of granting and will be exercisable over a period of five years expiring in August 2026.

The options vest over a period of eight, sixteen and twenty-four months and are exercisable over a period of five years.

The fair value of the options granted, amounting to \$28,459, was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$7.57
Expected life	5 years
Risk-free interest rate	0.41%
Volatility	104%
Dividend	0%
Exercise price at the date of grant	\$8.00

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

**18.4 Options granted to consultants during the previous year**

- a) On March 22, 2021 the Company granted options to acquire 55,000 common shares of the Company at an average exercise price of \$5.50 to one of its service providers as part of an investors relations agreement.

The options vest over a period of nine months and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$235,434, was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$5.48
Expected life	5 years
Risk-free interest rate	0.92%
Volatility	109%
Dividend	0%
Exercise price at the date of grant	\$5.50

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

- b) On October 28, 2021 the Company granted options to acquire 25,000 common shares of the Company at an average exercise price of \$11.50 to one of its service providers as part of an investor relations agreement.

The options vest over a period of nine months and are exercisable over a period of five years .

The fair value of the options granted, amounting to \$208,842, was calculated using the Black & Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$10.89
Expected life	5 years
Risk-free interest rate	1.44%
Volatility	106%
Dividend	0%
Exercise price at the date of grant	\$11.50

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

**TENET FINTECH GROUP INC.**  
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**19 - INCOME TAXES**

**Significant tax expense (income) components**

The significant tax expense (income) components are detailed as follows:

	<b>2022</b>	<b>2021</b>
	<b>December 31</b>	<b>December 31</b>
Total current tax expense	1,731,481	1,761,820
Deferred tax expense (income)		
Origination and reversal of temporary differences	(7,582,383)	(3,528,541)
Change in unrecognized temporary differences	2,301,656	154,902
Total deferred tax income	(5,280,727)	(3,373,639)
<b>Total tax expense (income)</b>	<b>(3,549,246)</b>	<b>(1,611,819)</b>

**Relationship between expected tax expense and tax expense (income)**

The relationship between the expected tax expense calculated on the basis of the combined federal and provincial tax rate in Canada and the tax expense presented on the consolidated statements of comprehensive income is as follows:

	<b>2022</b>	<b>2021</b>
	<b>December 31</b>	<b>December 31</b>
Loss before income taxes	(56,562,431)	(50,173,787)
Expected tax expense (income) calculated on the basis of the combined federal and provincial tax rate in Canada of 26.5% (26.5% in 2021)	(14,989,044)	(13,296,054)
Adjustments for the following		
Share-based payments	449,392	476,692
Difference in foreign tax rate	(137,513)	(106,064)
Other non-deductible expenses	(658,595)	(949,446)
Impairment of goodwill	9,459,941	10,910,050
Change in unrecognized temporary differences	2,301,656	1,380,037
Adjustment of prior deferred tax assets	35,308	(8,873)
True up	(10,282)	2,649
Realisation of unrecognized losses	-	(18,486)
Other	(108)	(2,324)
<b>Tax expense (income)</b>	<b>(3,549,246)</b>	<b>(1,611,819)</b>

**Unrecognized temporary differences**

The Company has the following temporary differences and tax losses for which no deferred tax was recognized:

	<b>December 31, 2022</b>		
	Federal	Provincial	Foreign
Unrecognized deductible temporary differences			
Property and equipment	2,515,548	2,515,548	-
Financing and share issue costs	4,397,726	4,397,726	-
Scientific research and development expenses	1,747,356	1,747,356	-
Non-capital losses	40,385,417	42,330,408	5,934,132
	<b>49,046,047</b>	<b>50,991,038</b>	<b>5,934,132</b>
	<b>December 31, 2021</b>		
	Federal	Provincial	Foreign
Unrecognized deductible temporary differences			
Property and equipment	2,515,548	2,515,548	-
Financing and share issue costs	5,688,502	5,688,502	-
Scientific research and development expenses	1,747,356	-	-
Non-capital losses	23,388,365	25,315,431	5,027,468
	<b>33,339,771</b>	<b>33,519,481</b>	<b>5,027,468</b>

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**19 - INCOME TAXES (CONTINUED)**

**Movement of the foreign deferred tax assets (liabilities) in 2022**

	2022			2022
	January 1	Business acquisition	Results	December 31
Loans receivable	134,842	-	476,366	611,208
Accounts receivable	(465,831)	-	465,831	-
Intangible assets	(1,771,329)	(302,642)	1,298,879	(775,092)
Non-capital losses	314,604	-	116,638	431,242
Accounts payable, advances and accrued liabilities	55,993	-	-	55,993
Right-of-use asset	-	-	(339,435)	(339,435)
Lease liability	-	-	326,181	326,181
	(1,731,721)	(302,642)	2,344,460	310,097

**Movement of the foreign deferred tax assets (liabilities) in 2021**

	2021			2021
	January 1	Business acquisition	Results	December 31
Loans receivable	233,652	-	(98,810)	134,842
Accounts receivable	-	-	(465,831)	(465,831)
Intangible assets	-	(1,868,750)	97,421	(1,771,329)
Non-capital losses	-	-	314,604	314,604
Accounts payable, advances and accrued liabilities	58,280	-	(2,287)	55,993
	291,931	(1,868,750)	(154,902)	(1,731,721)

**Movement of the canadian deferred tax liabilities in 2022**

	2022		2022	
	January 1	Non-cash transaction	Charged to equity	December 31
Property and equipment	(46,788)	(518,789)	-	(533,261)
Intangible assets	(4,256,488)	-	-	(3,289,735)
Lease liabilities	44,677	518,789	-	538,340
Non-capital losses	454,595	-	-	2,387,832
Debentures	-	-	(171,558)	(142,471)
	(3,804,004)	-	(171,558)	(1,039,295)

**Movement of the canadian deferred tax liabilities in 2021**

	2021			2021
	January 1	Business acquisition	Results	December 31
Property and equipment	-	-	(46,788)	(46,788)
Intangible assets	-	(7,724,000)	3,467,512	(4,256,488)
Lease liabilities	-	-	44,677	44,677
Non-capital losses	-	391,457	63,140	454,595
	-	(7,332,543)	3,528,541	(3,804,004)

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**19 - INCOME TAXES (CONTINUED)**

As at December 31, 2022, the Company has non-capital losses that are available to reduce income taxes in future years and for which no deferred tax asset has been recognized in the consolidated statements of financial position. These losses expire in the following years:

	Federal	Provincial	Foreign
2023	-	-	75,725
2024	-	-	94,137
2025	-	-	150,435
2026	4,028	4,028	992,763
2027	141,229	141,229	4,621,073
2028	322,989	322,989	-
2029	-	-	-
2030	253,979	253,979	-
2031	1,081,723	1,051,288	-
2032	1,730,827	1,715,690	-
2033	506,261	495,001	-
2034	961,557	963,040	-
2035	1,339,690	3,334,281	-
2036	1,581,746	1,575,100	-
2037	2,153,868	2,157,330	-
2038	1,151,230	1,152,584	-
2039	1,704,998	1,708,917	-
2040	5,728,275	5,732,384	-
2041	6,549,631	6,549,181	-
2042	15,173,386	15,173,387	-
	40,385,417	42,330,408	5,934,132

**20 - 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 on the basis of the carrying amount of equity which represents \$117,607,868 as at December 31, 2022 (December 31, 2021 - \$165,590,366).

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.**  
**Notes to Consolidated Financial Statements**

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**21 - FINANCIAL INSTRUMENTS**

**21.1 Classification of financial instruments**

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

	<b>December 31, 2022</b>		
	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
	<b>981,500</b>	<b>74,683,049</b>	<b>75,664,549</b>
<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
	<b>1,882,210</b>	<b>12,831,592</b>	<b>14,713,802</b>

As at December 31, 2021, the carrying amount of financial assets and financial liabilities were as follows:

	<b>December 31, 2021</b>		
	Assets and liabilities carried at fair value	Assets and liabilities carried at amortized cost	Total carrying value
<b>Financial assets</b>			
Cash	–	18,796,914	18,796,914
Restricted cash	–	53,333	53,333
Debtors	–	23,081,535	23,081,535
Deposits made for transactions on platforms	–	32,648,426	32,648,426
Loans receivable	–	20,823,691	20,823,691
	–	<b>95,403,899</b>	<b>95,403,899</b>
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	–	15,903,158	15,903,158
Bonds	–	313,234	313,234
CEBA Loan	–	100,000	100,000
Contingent consideration payable	1,921,000	–	1,921,000
	<b>1,921,000</b>	<b>16,316,392</b>	<b>18,237,392</b>

**21.2 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), 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.

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**21 - FINANCIAL INSTRUMENTS (CONTINUED)**

**21.3 Financial risks**

**21.3.1 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:

	<b>December 31, 2022</b>		
	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
	<b>10,648,142</b>	<b>100,000</b>	<b>5,707,863</b>

	<b>December 31, 2021</b>		
	Current		Long-term
	Within 6 months	6 to 12 months	More than 12 months
Accounts payable and accrued liabilities	15,903,158	-	-
Bonds	-	-	400,000
Contingent consideration payable	-	1,317,375	2,386,125
CEBA loan	-	-	100,000
	<b>15,903,158</b>	<b>1,317,375</b>	<b>2,886,125</b>

**21.4 Finance costs**

The breakdown in Finance costs during the year ended December 31, 2022 and 2021 is as follows:

	<b>2022</b>	<b>2021</b>
	<b>December 31</b>	<b>December 31</b>
Interest on lease liabilities (note 13)	177,021	65,908
Interest on security deposit and advances	-	87,528
Interest on bonds	40,000	40,000
Interest income	(94,896)	(53,284)
Accretion on debentures and bonds	47,424	28,010
<b>Total interest expense</b>	<b>169,549</b>	<b>168,162</b>
Miscellaneous	24,484	13,781
<b>Total Finance costs</b>	<b>194,033</b>	<b>181,943</b>

**21.5 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 its cost which is close to its fair value;
- The fair value of contingent compensation payable related to the acquisition of Heartbeat & Steelchain (note 6) 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.

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**21 - 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.

**22 - 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:

	2022 December 31	2021 December 31
Salaries and fringe benefits	1,465,082	1,259,068
Share-based payments	1,535,822	2,177,320
Royalty- Cubeler	-	134,678
	3,000,904	3,571,066

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

As at December 31, 2022 and December 31, 2021 the consolidated statement of financial position includes the following amounts with related parties:

	2022 December 31	2021 December 31
Loans, with interest (1)	206,300	113,193
	206,300	113,193

- (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 \$41,125 as at December 31, 2022 resigned and ceased to be a related party. As at December 31, 2022, the aggregate outstanding principal amount due to related parties for said loans is \$206,300 (December 31, 2021 - \$113,193). 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.

**23 - 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' heading. 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.

**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.

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**23 - 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 years ended December 31, 2022 and 2021 are as follows:

	<b>December 31, 2022</b>				
	Fintech Platform	Financial Services	Other	Elimination	Total
<b>Revenues (1)</b>					
Financial service revenue from external customers	-	1,790,081	-	-	1,790,081
Fees and sales from external customers	18,089,499	664,871	-	-	18,754,370
Supply chain services	89,384,690	-	(50,626)	-	89,334,064
Inter-segment	6,524,588	357,402	259,472	(7,141,462)	-
<b>Total revenues</b>	<b>113,998,777</b>	<b>2,812,354</b>	<b>208,846</b>	<b>(7,141,462)</b>	<b>109,878,515</b>
<b>Expenses</b>					
Depreciation and amortization	7,263,963	161,092	73,301	-	7,498,356
Finance costs	131,518	35,909	26,606	-	194,033
Write down of accounts receivable	1,557,953	-	-	-	1,557,953
Change in fair value of contingent consideration	(591,220)	-	-	-	(591,220)
Impairment charge	42,651,945	-	-	-	42,651,945
Cost of service, supply chain	82,691,068	-	-	-	82,691,068
All other expenses	27,634,025	1,627,914	10,318,334	(7,141,462)	32,438,811
<b>Total expenses</b>	<b>161,339,252</b>	<b>1,824,915</b>	<b>10,418,241</b>	<b>(7,141,462)</b>	<b>166,440,946</b>
Profit (loss) before tax	(47,340,475)	987,439	(10,209,395)	-	(56,562,431)
Income tax	(3,893,717)	490,289	(145,818)	-	(3,549,246)
<b>Net profit (loss)</b>	<b>(43,446,758)</b>	<b>497,150</b>	<b>(10,063,577)</b>	<b>-</b>	<b>(53,013,185)</b>
Non-controlling interest	(275,640)	354,900	-	-	79,260
Net profit (loss) attributable to:					
Owners of the parent	(43,171,118)	142,250	(10,063,577)	-	(53,092,445)
<b>Segmented assets</b>	<b>110,436,539</b>	<b>19,663,600</b>	<b>11,167,328</b>	<b>-</b>	<b>141,267,467</b>

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

	<b>December 31, 2021</b>				
	Fintech Platform	Financial Services	Other	Elimination	Total
<b>Revenues (1)</b>					
Financial service revenue from external customers	-	2,471,852	-	-	2,471,852
Fees and sales from external customers	4,359,150	1,218,633	-	-	5,577,783
Supply chain services	95,279,460	-	303,678	-	95,583,138
Inter-segment	108,274	(106,131)	-	(2,142)	1
<b>Total revenues</b>	<b>99,746,884</b>	<b>3,584,354</b>	<b>303,678</b>	<b>(2,142)</b>	<b>103,632,774</b>
<b>Expenses</b>					
Depreciation and amortization	2,435,132	188,809	20,329	-	2,644,270
Finance costs	124,301	11,118	46,525	-	181,944
Write down of accounts receivable	12,128	-	-	-	12,128
Impairment charge	53,364,705	-	-	-	53,364,705
Cost of service, supply chain	89,701,360	-	-	-	89,701,360
All other expenses	3,840,620	1,513,763	2,547,771	-	7,902,154
<b>Total expenses</b>	<b>149,478,246</b>	<b>1,713,690</b>	<b>2,614,625</b>	<b>-</b>	<b>153,806,561</b>
Profit (loss) before tax	(49,731,362)	1,870,664	(2,310,947)	(2,142)	(50,173,787)
Income tax (recovery)	(1,203,876)	(407,943)	-	-	(1,611,819)
<b>Net profit (loss)</b>	<b>(48,527,486)</b>	<b>2,278,607</b>	<b>(2,310,947)</b>	<b>(2,142)</b>	<b>(48,561,968)</b>
Non-controlling interest	200,298	994,804	-	-	1,195,102
Net profit (loss) attributable to:					
owners of the parent	(48,727,784)	1,283,803	(2,310,947)	(2,142)	(49,757,070)
<b>Segmented assets</b>	<b>152,623,308</b>	<b>24,887,479</b>	<b>18,256,813</b>	<b>(474,478)</b>	<b>195,293,123</b>

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

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**23 - SEGMENT REPORTING (CONTINUED)**

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

	<b>2022</b>	<b>2021</b>
	<b>December 31</b>	<b>December 31</b>
	Non-current Assets	Non-current Assets
China	41,022,054	10,900,348
Canada	23,484,742	89,991,187
	<b>64,506,796</b>	<b>100,891,535</b>

**24 - NON-CONTROLLING INTERESTS**

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

Entities	<b>2022</b>	<b>2021</b>
	<b>December 31</b>	<b>December 31</b>
	% ownership and voting rights held the by NCI	% ownership and voting rights held the by NCI
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 Xinhuzhi 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	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>December 31</b>	<b>December 31</b>	<b>December 31</b>	<b>December 31</b>
Asia Synergy Supply Chain Ltd. ("ASSC")	253,415	491,476	2,236,215	1,951,538
Asia Synergy Financial Capital Ltd. ("ASFC")	274,876	1,020,872	11,764,472	11,520,859
Wechain (Nanjing) Technology Service Co., Ltd. ("WECHAIN")	(315,851)	(201,129)	467,430	783,281
Kailifeng New Energy Technology Co., Ltd. ("KALIFENG")	(194,565)	(33,536)	774,254	64,703
Shanghai Xinhuzhi Supply Chain Management Ltd. ("ASAC")	(2,419)	-	(1,445)	-
Jiangsu Supairui IOT Technology Co., Ltd. ("ASTH") (1)	(6,416)	-	21,051	-
	<b>9,040</b>	<b>1,277,683</b>	<b>15,261,978</b>	<b>14,320,381</b>

(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 years ended December 31, 2022 and 2021.



## TENET FINTECH GROUP INC.

### Notes to Consolidated Financial Statements

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

During the year ended December 31, 2022, 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 \$904,117 in KALIFENG (2021 - \$Nil), totaled \$974 in ASAC (2021 - \$Nil) and \$27,466 in ASTH (2021 - \$Nil). As at December 31, 2022 the amount of the NCI's portion of the capital injection agreed for these NCI's that was outstanding was \$1,002,356 (2021 - \$98,239), refer to note 8.

#### **25 - 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 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.

#### **26 - 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 consolidated statement of cash flows for the year ended December 31, 2021, the advances from third-party customers and contract liabilities with third-party customers collectively totaling \$7,512,954 were reclassified from financing activities to operating activities to reflect their correct underlying nature.

The deposits made for transactions on platforms, totalling \$32,648,426 for the year ended December 31, 2021, were reclassified in the consolidated statements of financial position and note 8. The balance, initially presented in the debtors' balance, was reclassified to a separate account and note, in the consolidated statements of financial position and in the notes to consolidated financial statements, to provide the readers with more detailed financial information considering its importance.

For the year ended December 31, 2022, the Company disclosed separately the contract liabilities with third-party customers as shown in note 12 and a reconciliation was provided. For comparative purposes, an amount of \$8,022,948 was reclassified from advance from third-party customers to Contract liabilities with third party customers for the year ended December 31, 2021.

#### **27 - SUBSEQUENT EVENTS**

##### **27.1 Debenture issuance of December 23, 2022**

During the period from January 1, 2023 to March 30, 2023, the Company received the remaining proceeds from the subscriptions receivable of convertible debentures of \$2,010,000, refer to note 8.

##### **27.2 Debenture issuance of January 31, 2023**

On January 1, 2023, the Company placed 351 units of convertible debentures for gross contractual proceeds of \$3,510,000. Each unit sold comprised of \$10,000 face value debentures, maturing on January 1, 2025, bearing interest at a nominal rate of 10% payable monthly, plus 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 allow 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.

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.