

**Tenet Fintech Group Inc.**  
**Condensed Interim Consolidated**  
**Financial Statements (Unaudited)**  
**For the three and six-month periods ended**  
**June 30, 2023, and 2022**



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

For the three and six-month periods ended June 30, 2023, and 2022

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

(Unaudited)

	Note	Three-month periods ended		Six-month periods ended	
		June 30		June 30	
		2023	2022	2023	2022
<b>Revenues</b>		16,776,714	32,432,228	26,270,518	67,173,688
<b>Expenses</b>					
Cost of service		11,182,615	28,535,008	17,151,328	57,996,607
Software delivery services		1,255,207	583,043	2,019,412	985,398
Salaries and fringe benefits		3,446,632	2,734,471	7,661,445	5,079,739
Service fees		1,322,515	133,069	2,448,776	396,906
Board remuneration		206,774	151,080	302,766	343,004
Consulting fees		(46,386)	381,325	(19,876)	737,027
Outsourced services, software and maintenance		1,227,723	802,873	2,338,219	1,000,158
Professional fees		1,058,150	863,605	1,787,128	1,698,784
Marketing, public relations and press releases		83,398	201,164	462,543	517,236
Office supplies, software and hardware		110,725	339,018	519,880	516,076
Lease expenses		46,287	25,648	94,064	85,809
Insurance		336,002	316,735	684,888	648,381
Finance costs	18.4	215,658	46,128	550,893	95,080
Expected credit loss	5-6	80,672	101,555	102,373	189,173
Travel and entertainment		51,841	95,734	114,052	174,219
Stock exchange and transfer agent costs		94,106	114,545	126,447	159,577
Translation cost and others		(44,104)	57,171	(32,972)	83,191
Depreciation of property and equipment	7	50,744	21,437	77,462	42,988
Depreciation of right-of-use assets	7	196,753	142,752	395,501	252,534
Amortization of intangible assets	9	2,077,625	1,562,827	4,172,315	3,065,174
Amortization of financing issuance costs	12-13	16,878	6,825	68,413	13,376
Change in fair value of contingent consideration payable	4.1	303,981	303,448	379,801	701,479
Change in fair value of debentures conversion rights	12.3	(15,093)	-	(15,093)	-
Loss on investment in associate company	8	15,129	-	33,158	-
Loss on foreign exchange		9,296	(7,837)	29,478	126,587
		23,283,128	37,511,624	41,452,401	74,908,503
Loss before income taxes		(6,506,414)	(5,079,396)	(15,181,883)	(7,734,815)
Income taxes (recovery)		(52,857)	1,253,276	(23,641)	1,957,458
Net loss		(6,453,557)	(6,332,672)	(15,158,242)	(9,692,273)
Net profit (loss) attributable to:					
Non-controlling interest		(315,381)	136,306	(584,909)	158,976
Owners of the parent		(6,138,176)	(6,468,978)	(14,573,333)	(9,851,249)
		(6,453,557)	(6,332,672)	(15,158,242)	(9,692,273)
<b>Item that will be reclassified subsequently to profit or loss</b>					
Currency translation adjustment		(5,300,418)	(1,600,876)	(5,172,985)	(2,361,477)
<b>Total comprehensive loss</b>		(11,753,975)	(7,933,548)	(20,331,227)	(12,053,750)
<b>Total comprehensive loss attributable to:</b>					
Non-controlling interest		(860,683)	(61,407)	(1,145,873)	(78,984)
Owners of the parent		(10,893,292)	(7,872,141)	(19,185,354)	(11,974,766)
		(11,753,975)	(7,933,548)	(20,331,227)	(12,053,750)
Weighted average number of outstanding shares		104,352,364	98,815,782	101,961,556	98,576,714
Basic and diluted loss per share		(0.059)	(0.065)	(0.143)	(0.100)

Going concern uncertainty (note 2)

Subsequent events (note 24)

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

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

For the six-month periods ended June 30, 2023, and 2022

(In Canadian dollars)

(Unaudited)

	Note	Capital stock		Equity to issue	Contributed surplus	Equity component of convertible debentures	Accumulated other comprehensive income (loss)	Deficit	Total attributable to owners of parent	Non controlling interest	Shareholders' equity
		Number of common shares	Amount								
<b>Balance as at January 1, 2023</b>		99,544,183	211,232,131	–	23,356,969	221,465	625,212	(133,089,887)	102,345,890	15,261,978	117,607,868
Issuance of shares and warrants	15.2	6,434,704	353,243	–	446,757	–	–	–	800,000	–	800,000
Equity component of convertible debentures	12.2	–	–	–	504,901	(319,209)	–	–	185,692	–	185,692
Issuance costs – equity component of convertible debentures	12.2	–	–	–	(44,201)	27,985	–	–	(16,216)	–	(16,216)
Deferred tax – equity component of convertible debentures	12	–	–	–	(110,372)	69,759	–	–	(40,613)	–	(40,613)
Issuance of broker compensation warrants	12.2	–	–	–	77,632	–	–	–	77,632	–	77,632
Exercise of warrants and broker warrants	15.2	100,000	30,918	357,500	(13,418)	–	–	–	375,000	–	375,000
Conversion of debentures	12	5,856,901	4,063,847	–	–	–	–	–	4,063,847	–	4,063,847
Share-based compensation	16	–	–	–	446,368	–	–	–	446,368	–	446,368
Subscription for shares by non-controlling interests	21	–	–	–	–	–	–	–	–	140,038	140,038
Payment of contingent consideration	4.1	–	–	224,729	–	–	–	–	224,729	–	224,729
Transactions with owners		111,935,788	215,680,139	582,229	24,664,636	–	625,212	(133,089,887)	108,462,329	15,402,016	123,864,345
Net loss		–	–	–	–	–	–	(14,573,333)	(14,573,333)	(584,909)	(15,158,242)
Other comprehensive loss		–	–	–	–	–	(4,612,021)	–	(4,612,021)	(560,964)	(5,172,985)
Total comprehensive loss for the year		–	–	–	–	–	(4,612,021)	(14,573,333)	(19,185,354)	(1,145,873)	(20,331,227)
<b>Balance as at June 30, 2023</b>		111,935,788	215,680,139	582,229	24,664,636	–	(3,986,809)	(147,663,220)	89,276,975	14,256,143	103,533,118

  

	Note	Capital stock		Equity to issue	Contributed surplus	Equity component of convertible debentures	Accumulated other comprehensive income (loss)	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
Exercise of warrants and broker warrants	15.3	1,653,000	2,154,496	(150,000)	(432,246)	–	–	–	1,572,250	–	1,572,250
Exercise of options	15.3	117,500	464,170	–	(217,420)	–	–	–	246,750	–	246,750
Share-based compensation	16	–	–	–	1,112,302	–	–	–	1,112,302	–	1,112,302
Subscription for shares by non-controlling interests	21	–	–	–	–	–	–	–	–	483,859	483,859
Transactions with owners		98,937,683	210,838,156	–	21,993,821	–	1,366,752	(79,997,442)	154,201,287	14,804,240	169,005,527
Net profit (loss)		–	–	–	–	–	–	(9,851,249)	(9,851,249)	158,976	(9,692,273)
Other comprehensive loss		–	–	–	–	–	(2,123,517)	–	(2,123,517)	(237,960)	(2,361,477)
		–	–	–	–	–	(2,123,517)	(9,851,249)	(11,974,766)	(78,984)	(12,053,750)
<b>Balance as at June 30, 2022</b>		98,937,683	210,838,156	–	21,993,821	–	(756,765)	(89,848,691)	142,226,521	14,725,256	156,951,777

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

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

For the three and six-month periods ended June 30, 2023, and 2022

(In Canadian dollars)

(Unaudited)

	Note	Three-month periods ended June 30		Six-month periods ended June 30	
		2023	2022	2023	2022
<b>OPERATING ACTIVITIES</b>					
Net loss		(6,453,557)	(6,332,672)	(15,158,242)	(9,692,273)
Non-cash items					
Expected credit loss	5-6	80,672	101,555	102,373	189,173
Depreciation of property and equipment	7	50,744	21,437	77,462	42,988
Depreciation of right-of-use assets	7	196,753	142,752	395,501	252,534
Amortization of intangible assets	9	2,077,625	1,562,827	4,172,315	3,065,174
Amortization of financing issuance costs	12-13	16,878	6,825	68,413	13,376
Accretion on debentures and bonds	12-13	20,041	8,089	180,133	15,703
Accretion of lease interest	11-18.4	78,253	38,268	134,805	75,401
Interest income on deposit		(1,198)	–	(2,378)	–
Change in fair value of contingent consideration payable	4.1	303,981	303,448	379,801	701,479
Change in fair value of debentures conversion rights	12.3	(15,093)	–	(15,093)	–
Share-based compensation	16	223,947	570,703	446,368	1,112,302
Deferred tax assets and liabilities		(515,731)	3,730,857	(531,892)	107,562
Loss on investment in associate company	8	15,129	–	33,158	–
Loans receivable maturing in more than 12 months	5	325,442	769,551	624,509	1,589,607
Net changes in working capital items					
Restricted cash		(3,333)	10,000	6,667	20,000
Income tax payable		110,192	(3,449,404)	42,854	262,554
Accounts receivable	6-11	3,250,091	2,863,853	2,088,251	1,532,905
Deposits made for transactions on platforms	6.2	1,948,056	2,046,240	2,546,390	7,201,149
Prepayments to third party subcontractors	6.1	747,189	3,177,168	2,673,742	877,473
Other debtors	6.1	(515,925)	(970,372)	(390,539)	333,850
Loans receivable maturing in less than 12 months	5	1,012,478	(951,970)	706,367	(1,658,722)
Assets held for sale		57,687	(4,929)	63,864	64,758
Other prepaid expenses		376,831	427,332	868,672	431,954
Trade accounts payable and accruals	10	(48,048)	(1,111,328)	2,840,991	(1,867,020)
Advances from third-party customers	10	14,976	153,693	(136,723)	(2,856,264)
Contract liabilities with third-party customers	10	(1,181,652)	(2,442,263)	(1,855,870)	264,161
Cash flows from operating activities		2,172,428	671,660	361,899	2,079,824
<b>INVESTING ACTIVITIES</b>					
Investments	8	–	(88,298)	(492,500)	(581,048)
Property and equipment - Addition	7	(85,473)	(8,537)	(826,950)	(25,434)
Property and equipment - Disposal	7	–	–	–	2,344
Intangible assets - additions	9	(1,477,796)	(3,184,959)	(3,965,156)	(4,705,448)
Cash flows from investing activities		(1,563,269)	(3,281,794)	(5,284,606)	(5,309,586)
<b>FINANCING ACTIVITIES</b>					
Advances made from companies owned by a Director	19	857,750	–	857,750	–
Repayments of lease liabilities	11	(235,861)	(221,570)	(363,351)	(298,237)
Proceeds from the issuance of shares and warrants	15	800,000	–	800,000	–
Proceeds from the issuance of convertible debentures and warrants		–	–	5,290,350	–
Proceeds from the exercise of warrants	15	375,000	63,500	375,000	1,572,250
Proceeds from the exercise of options	16	–	246,750	–	246,750
Cash flow from financing activities		1,796,889	88,680	6,959,749	1,520,763
<b>IMPACT OF FOREIGN EXCHANGE</b>		(4,233,957)	(1,394,264)	(4,171,961)	(2,039,368)
<b>Net decrease in cash</b>		(1,827,909)	(3,915,717)	(2,134,919)	(3,748,367)
Cash, beginning of the period		2,916,360	18,964,265	3,223,370	18,796,914
Cash, end of the period		1,088,451	15,048,547	1,088,451	15,048,547

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

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

As at June 30, 2023 and December 31, 2022

(In Canadian dollars)

(Unaudited)

	Note	As at June 30, 2023	As at December 31, 2022
<b>ASSETS</b>			
Current			
Cash		1,088,451	3,223,370
Restricted cash	4.1-13	192,500	212,967
Loans receivable	5	15,448,487	16,154,854
Assets held for sale		244,217	308,081
Debtors	6.1	22,594,796	28,149,428
Deposits made for transactions on platforms	6.2	24,293,487	26,839,877
Prepaid expenses and other current assets		1,003,422	1,872,094
		64,865,360	76,760,671
Loans receivable	5	397,695	1,039,989
Deposit		78,852	76,474
Property and equipment	7	3,744,967	3,410,832
Investments	8	1,399,759	1,048,337
Intangible assets	9	30,915,553	32,011,270
Goodwill	9	26,609,797	26,609,797
Foreign deferred tax assets		841,989	310,097
		128,853,972	141,267,467
<b>LIABILITIES</b>			
Current			
Accounts payable, advances and accrued liabilities	10	12,632,595	10,926,447
Lease liabilities	11	519,718	493,852
Bonds	13	400,000	373,547
CEBA Loan	14	100,000	100,000
Current tax liabilities		4,154,860	4,112,006
		17,807,173	16,005,852
Debentures	12	1,145,557	2,109,903
Conversion option	12	140,743	-
Lease liabilities	11	3,110,191	2,622,339
Canadian deferred tax liability		1,079,908	1,039,295
Contingent consideration payable	4.1	2,037,282	1,882,210
		25,320,854	23,659,599
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	15	215,680,139	211,232,131
Shares to be issued	15	582,229	-
Contributed surplus		24,664,636	23,356,969
Equity component of convertible debentures	12	-	221,465
Accumulated other comprehensive income (loss)		(3,986,809)	625,212
Deficit		(147,663,220)	(133,089,887)
Shareholders' equity attributable to owners of the parent		89,276,975	102,345,890
Non-controlling interest		14,256,143	15,261,978
Total shareholders' equity		103,533,118	117,607,868
		128,853,972	141,267,467

Going concern uncertainty (note 2)

Subsequent events (note 24)

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

On behalf of the Board,

/S/ Johnson Joseph

Director

/S/ Mayco Quiroz

Director

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2023, and 2022

(In Canadian dollars)

(Unaudited)

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

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

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

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

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

The level of cash flows 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 series of private placements in the fourth quarter of 2022 and the first semester of 2023, there is no assurance that it will manage to obtain additional financing in the future. Also, the Company incurred a net loss of \$15,158,242 for the six-month period ended June 30, 2023 (June 30, 2022 - \$9,692,273), it has an accumulated deficit of \$147,663,220 as at June, 2023 (year ended December 31, 2022 - \$133,089,887) and it has not yet generated positive cash flows from operations on a regular basis. Until that happens, the company will continue to assess its working capital needs and undertake whatever initiatives it deems necessary to ensure that it continues to be in a position to meet its financial obligations. These material uncertainties may cast significant doubt regarding the Company's ability to continue as a going concern.

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

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

#### 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 3.1 Statement of compliance with IFRS

These condensed interim consolidated financial statements for the six-month period ended June 30, 2023, have been prepared on a form in accordance with IAS 34 "Interim Financial Reporting". Since they are condensed financial statements, certain information and note disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been voluntarily omitted or summarized.

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

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

These condensed interim consolidated financial statements for the six-month periods ended June 30, 2023, and 2022 were approved and authorized for the issue by the Board of Directors on August 28, 2023.

##### 3.2 Basis of measurement

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

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2023, and 2022

(In Canadian dollars)

(Unaudited)

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

##### 3.3 Basis of Consolidation

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

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

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

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

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

##### 3.4 Foreign currency translation

###### Functional and presentation currency

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

#### 4 - BUSINESS COMBINATIONS

##### 4.1 Subsequent Accounting

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

As at June 30, 2023, the Company revalued the contingent consideration payable related to the Heartbeat and Steelchain acquisitions resulting in a loss of \$Nil (June 30, 2022 - \$701,479) and a loss of \$379,801 (June 30, 2022 - \$Nil) respectively which were recorded in the consolidated statements of comprehensive profit and loss. The value of the contingent consideration payables were estimated at, respectively, \$Nil and \$2,037,282 (December 31, 2022 - \$Nil and \$1,882,210) for the Heartbeat and Steelchain acquisitions. For the period ended June 30, 2023 and in accordance with the assets purchase and performance agreement of the Steelchain acquisition, the Company will pay a contingent consideration amounting to \$224,729 in the form of common shares. As such, an amount of \$224,729 was credited as Equity to issue in the Condensed Interim Consolidated Statements of Changes in Equity and an equivalent amount was debited in Contingent consideration payable.

As at June 30, 2023, the balance of cash reserved for one of its upstream supply chain suppliers during the normal course of operations and recorded as restricted cash in the condensed interim consolidated financial statements was \$182,500.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2023, and 2022

(In Canadian dollars)

(Unaudited)

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

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

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

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

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

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

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

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

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

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

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

Loans receivable are summarized as follows:

	2023	2022
	June 30	December 31
Principal balance loans receivable	16,381,520	17,712,396
Less expected credit loss (ECL)	(535,338)	(517,553)
Loans receivable net	15,846,182	17,194,843
Loans receivable maturing in less than 12 months	15,448,487	16,154,854
Loans receivable maturing in more than 12 months	397,695	1,039,989
	15,846,182	17,194,843

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

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



## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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

##### Credit quality of loans

The following table presents the gross carrying amount of loans receivable as at June 30, 2023, and December 31, 2022, according to credit quality and ECL impairment stages.

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

	Credit Loss Allocation Applied			
		Autos	Residential Property	Credit and Supply Chain Finance Credit
Stage 1 : 1%		1.0%	1.0%	2.0%
Stage 2: 30%		6.8%	1.0%	2.0%
Stage 3: 100%		55.0%	1.0%	2.0%
June 30, 2023	%	Gross Carrying Amount	Allowance for Credit Loss	Net Carrying Amount
Stage 1: Not overdue <= 30 Days	92.3%	15,112,125	(3,004)	15,109,121
Stage 2: Overdue 30-90 days	0.0%	-	-	-
Stage 3: Overdue > 90 days	7.7%	1,269,395	(532,334)	737,061
	100.0%	16,381,520	(535,338)	15,846,182
December 31, 2022	%	Gross Carrying Amount	Allowance for Credit Loss	Net Carrying Amount
Stage 1: Not overdue <= 30 Days	88.7%	15,709,351	(3,117)	15,706,234
Stage 2: Overdue 30-90 days	1.1%	199,181	(598)	198,583
Stage 3: Overdue > 90 days	10.2%	1,803,864	(513,838)	1,290,026
	100.0%	17,712,396	(517,553)	17,194,843

The loss allowance for loans to customers as at June 30, 2023, 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 January 1, 2023</b>	1	-	506,951	506,952
Originations net of repayments and other derecognitions	(1)	-	(33,858)	(33,859)
Net remeasurement	-	-	91,810	91,810
Foreign exchange and other	-	-	(35,639)	(35,639)
<b>Loss allowance as at June 30, 2023</b>	-	-	529,264	529,264
	Product Type - Residential property			
	Stage 1	Stage 2	Stage 3	Total ECL
<b>Loss allowance as at January 1, 2023</b>	24	598	6,887	7,509
Originations net of repayments and other derecognitions	(4)	(460)	(3,650)	(4,114)
Net remeasurement	-	-	223	223
Transfers	-	(95)	95	-
- to lifetime ECL credit-impaired	-	(43)	(485)	(528)
Foreign exchange and other	-	(43)	(485)	(528)
<b>Loss allowance as at June 30, 2023</b>	20	(0)	3,070	3,090
	Product Type - Credit & Supply Chain Finance Credit			
	Stage 1	Stage 2	Stage 3	Total ECL
<b>Loss allowance as at January 1, 2023</b>	3,092	-	-	3,092
Originations net of repayments and other derecognitions	109	-	-	109
Foreign exchange and other	(217)	-	-	(217)
<b>Loss allowance as at June 30, 2023</b>	2,984	-	-	2,984

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2023, and 2022

(In Canadian dollars)

(Unaudited)

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

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

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

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

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

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

##### 6.1 Debtors

	2023		2022	
	June 30	December 31	June 30	December 31
Sales tax receivable	1,016,654	1,013,910	-	-
Advances to companies	523,909	141,679	-	-
Accounts receivable	15,913,661	17,315,127	-	-
Subscriptions receivable from non-controlling interests	1,142,394	1,002,356	-	-
Promissory notes (1)	252,989	247,425	-	-
Subscriptions receivable of convertible debentures (note 12.1)	-	2,010,000	-	-
Prepayments to third party subcontractors (2)	3,745,189	6,418,931	-	-
	22,594,796	28,149,428	-	-

- (1) On December 15, 2021, loans were issued to two board members of the Company in the amounts of \$72,793 and \$40,400. On June 3, 2022, an additional loan was issued to another board member of \$130,462. The loans were respectively due on December 15, 2022 and December 31, 2022, and bear interest at the quarterly prescribed variable rate. As at June 30, 2023, the aggregate outstanding principal amount due for said loans is \$252,989 (December 31, 2022 - \$247,425). As the loans have expired, the Company is in the process of negotiating repayment terms to be agreed with each current and past board member.
- (2) Subsidiaries of the Company active in supply chain activity made prepayments to suppliers to support operational supply chain processes. These prepayments will be reverted to Company's subsidiaries when services or merchandise transactions are executed.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2023, and 2022

(In Canadian dollars)

(Unaudited)

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

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

	2023	2022
	June 30	December 31
Deposits made for transactions on platforms with guarantee (1)	23,828,112	26,339,312
Deposits made for transactions on platforms (2)	465,375	500,565
	<b>24,293,487</b>	<b>26,839,877</b>

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

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

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

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

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

Debtors and deposits made for transactions on platforms are written off (i.e. de-recognized) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Issuer on alternative payment arrangements, amongst other things, are considered indicators of no reasonable expectation of recovery. As at June 30, 2023, a expense of \$84,588 (June 30, 2022 - a expense of \$318,517) was recorded as expected credit loss in the consolidated statements of comprehensive profit and loss.

#### 7 – PROPERTY AND EQUIPMENT

	Right-of-Use Assets	IT & Office Equipment	Leasehold Improvement (1)	Vehicles & Other Equipment	Total
<b>Gross carrying amount</b>					
Balance as at January 1, 2023	5,050,741	282,042	–	215,463	5,548,246
Adjustments	65,925	–	–	–	65,925
Additions	–	421,891	405,059	–	826,950
<b>Balance as at June 30, 2023</b>	<b>5,116,666</b>	<b>703,933</b>	<b>405,059</b>	<b>215,463</b>	<b>6,441,121</b>
<b>Accumulated amortization</b>					
Balance as at January 1, 2023	1,830,798	156,195	–	150,421	2,137,414
Depreciation	395,501	46,094	9,568	21,800	472,963
Exchange differences	80,244	2,652	–	2,881	85,777
<b>Balance as at June 30, 2023</b>	<b>2,306,543</b>	<b>204,941</b>	<b>9,568</b>	<b>175,102</b>	<b>2,696,154</b>
<b>Net carrying amount as at June 30, 2023</b>	<b>2,810,123</b>	<b>498,992</b>	<b>395,491</b>	<b>40,361</b>	<b>3,744,967</b>
<b>Gross carrying amount</b>					
Balance as at January 1, 2022	3,067,626	201,858	–	191,393	3,460,877
Amounts acquired in a business combination	106,552	53,755	–	–	160,307
Adjustments	19,626	–	–	–	19,626
Additions	1,859,529	26,429	–	24,070	1,910,028
Disposals	(2,592)	–	–	–	(2,592)
<b>Balance as at December 31, 2022</b>	<b>5,050,741</b>	<b>282,042</b>	<b>–</b>	<b>215,463</b>	<b>5,548,246</b>
<b>Accumulated amortization</b>					
Balance as at January 1, 2022	1,186,255	110,873	–	101,736	1,398,864
Adjustments	1,153	–	–	–	1,153
Depreciation	615,179	42,417	–	47,247	704,843
Exchange differences	28,211	2,905	–	1,438	32,554
<b>Balance as at December 31, 2021</b>	<b>1,830,798</b>	<b>156,195</b>	<b>–</b>	<b>150,421</b>	<b>2,137,414</b>
<b>Net carrying amount as at December 31, 2022</b>	<b>3,219,943</b>	<b>125,847</b>	<b>–</b>	<b>65,042</b>	<b>3,410,832</b>

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

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

	Useful life
Leasehold improvement	10 years

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

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2023, and 2022

(In Canadian dollars)

(Unaudited)

#### 8 - INVESTMENTS

	2023	2022
	June 30	December 31
Associate company (1)	31,009	66,836
Other equity investments (2,3)	1,368,750	981,500
	1,399,759	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 six-month period ending June 30, 2023, Tenet recognized \$33,158 as a loss on investment in associate company (June 30, 2022 - \$) 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 \$456,250 as at June 30, 2023.
- (3) The Company holds, through its ASFC subsidiary, a 5% equity interest in Wuxi Xincheng Venture Capital Partnership ("AVC"), a China-registered investment partnership. During the six-month period ending June 30, 2023, the Company injected an additional \$492,500 into the investment as part of a commitment per the shareholding agreement. The equity investment is valued at \$912,500 as at June 30, 2023.

**TENET FINTECH GROUP INC.**

**Notes to Condensed Interim Consolidated Financial Statements**

For the six-month periods ended June 30, 2023, and 2022

(In Canadian dollars)

(Unaudited)

**9 - INTANGIBLE ASSETS AND GOODWILL**

The carrying value of the intangible assets as at June 30, 2023 and December 31, 2022, were as follows:

	Loan Servicing Agreement	Gold River Platform	System Integration Platform (Formerly called Cubeler Interface)	Cubeler Platform	Other ERP Platforms	Heartbeat Platform	Tradenames	Total intangible assets
<b>Gross carrying amount</b>								
Balance as at January 1, 2023	1,430,000	13,820,146	2,296,622	24,924,238	5,622,941	9,887,502	5,287,000	63,268,449
Addition	–	2,629,946	135,317	–	826,823	373,070	–	3,965,156
<b>Balance as at June 30, 2023</b>	<b>1,430,000</b>	<b>16,450,092</b>	<b>2,431,939</b>	<b>24,924,238</b>	<b>6,449,764</b>	<b>10,260,572</b>	<b>5,287,000</b>	<b>67,233,605</b>
<b>Accumulated amortization and impairment loss</b>								
Balance as at January 1, 2023	572,000	4,688,094	1,187,351	14,731,337	1,082,879	5,822,024	3,173,494	31,257,179
Amortization	71,500	1,837,997	186,812	755,030	667,642	501,706	151,628	4,172,315
Exchange differences	–	453,145	77,637	–	218,972	138,804	–	888,558
<b>Balance as at June 30, 2023</b>	<b>643,500</b>	<b>6,979,236</b>	<b>1,451,800</b>	<b>15,486,367</b>	<b>1,969,493</b>	<b>6,462,534</b>	<b>3,325,122</b>	<b>36,318,052</b>
<b>Net carrying amount as at June 30, 2023</b>	<b>786,500</b>	<b>9,470,856</b>	<b>980,139</b>	<b>9,437,871</b>	<b>4,480,271</b>	<b>3,798,038</b>	<b>1,961,878</b>	<b>30,915,553</b>
<b>Gross carrying amount</b>								
Balance as at January 1, 2021	1,430,000	6,716,321	2,084,893	23,862,000	2,438,061	8,368,063	5,287,000	50,186,338
Amounts arising from business combinations	–	–	–	–	1,495,718	–	–	1,495,718
Addition	–	7,103,825	211,729	1,062,238	2,056,527	1,152,074	–	11,586,393
Transferred in (out)	–	–	–	–	(367,365)	367,365	–	–
<b>Balance as at December 31, 2022</b>	<b>1,430,000</b>	<b>13,820,146</b>	<b>2,296,622</b>	<b>24,924,238</b>	<b>5,622,941</b>	<b>9,887,502</b>	<b>5,287,000</b>	<b>63,268,449</b>
<b>Accumulated amortization and impairment loss</b>								
Balance as at January 1, 2021	429,000	2,692,565	643,496	10,228,688	81,730	410,966	2,854,095	17,340,540
Amortization	143,000	1,908,080	512,117	1,767,420	946,721	1,167,756	319,399	6,764,493
Impairment loss on intangible	–	–	–	2,735,229	–	4,218,826	–	6,954,055
Exchange differences	–	87,449	31,738	–	54,428	24,476	–	198,091
<b>Balance as at December 31, 2022</b>	<b>572,000</b>	<b>4,688,094</b>	<b>1,187,351</b>	<b>14,731,337</b>	<b>1,082,879</b>	<b>5,822,024</b>	<b>3,173,494</b>	<b>31,257,179</b>
<b>Net carrying amount as at December 31, 2022</b>	<b>858,000</b>	<b>9,132,052</b>	<b>1,109,271</b>	<b>10,192,901</b>	<b>4,540,062</b>	<b>4,065,478</b>	<b>2,113,506</b>	<b>32,011,270</b>

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2023, and 2022

(In Canadian dollars)

(Unaudited)

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

The carrying value of the goodwill components by CGU as at June 30, 2023, and December 31, 2022, were as follows:

	Heartbeat	Cubeler	Supply Chain Steelchain	Total goodwill
Balance as at January 1, 2023	17,238,835	8,329,255	1,041,707	26,609,797
<b>Balance as at June 30, 2023</b>	<b>17,238,835</b>	<b>8,329,255</b>	<b>1,041,707</b>	<b>26,609,797</b>
Balance as at January 1, 2022	18,495,409	44,027,145	-	62,522,554
Amounts arising from business combinations	-	-	1,041,707	1,041,707
Impairment loss on goodwill	-	(35,697,890)	-	(35,697,890)
Finalization of purchase price allocation adjustment	(1,256,574)	-	-	(1,256,574)
<b>Balance as at December 31, 2022</b>	<b>17,238,835</b>	<b>8,329,255</b>	<b>1,041,707</b>	<b>26,609,797</b>

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

	2023 June 30	2022 December 31
Trade accounts payable and accruals	9,108,497	6,267,506
Advances made from companies owned by a Director, no interest	857,750	-
Advance from third-party customers, no interest	33,361	170,084
Contract liabilities with third-party customers, no interest (1,2)	2,632,987	4,488,857
	<b>12,632,595</b>	<b>10,926,447</b>

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

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

	2023 June 30	2022 December 31
Balance at the beginning of the period	4,488,857	8,022,948
Increase in contract liabilities during the period	18,055,039	90,988,953
Revenue recognized for balances included in Contract liabilities balance at the beginning of the period	(2,225,507)	(6,927,483)
Revenue recognized for Contract liabilities originated during the period	(17,358,644)	(87,441,774)
Other	(11,189)	(26,330)
Exchange differences	(315,569)	(127,457)
	<b>2,632,987</b>	<b>4,488,857</b>

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2023, and 2022

(In Canadian dollars)

(Unaudited)

#### 11 - LEASE LIABILITIES

	2023 June 30	2022 December 31
Balance at the beginning of the period	3,116,191	1,747,984
Amounts arising from business combination	-	88,038
Adjustment	65,925	-
Additions	771,373	1,784,757
Accretion interest	134,805	177,021
Lease payments	(363,351)	(691,454)
Effect of exchange rate change on obligation	(95,034)	9,845
Balance at the end of the period	3,629,909	3,116,191
Current Portion	519,718	493,852
Non-current Portion	3,110,191	2,622,339

The Company's obligations regarding lease payments as at June 30, 2023, and December 31, 2022, were as follows:

As at June 30, 2023	Payment due by period			
	1 year	2 - 5 years	Beyond 5 years	Total
Lease payments	663,868	2,314,632	2,176,578	5,155,078

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	5,518,429

#### 12 - DEBENTURES

The carrying value of the debentures as at June 30, 2023 and 2022, was as follows:

	2023 June 30	2022 December 31
Debenture issuance of December 23, 2022 (note 12.1)	816,058	2,109,903
Debenture issuance of January 31, 2023 (note 12.2)	329,499	-
Debentures	1,145,557	2,109,903

The carrying value of the conversion option as at June 30, 2023 and 2022, was as follows:

	2023 June 30	2022 December 31
Debenture conversion component issuance of December 23, 2022 (note 12.1)	102,567	-
Debenture conversion component issuance of January 31, 2023 (note 12.2)	38,176	-
Conversion option (note 12.3)	140,743	-

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2023, and 2022

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(Unaudited)

#### 12 - DEBENTURES (CONTINUED)

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

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

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

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

On April 19, 2023, the Company amended the conversion terms of the convertible debentures to allow the holders thereof to convert the face value of the Debentures into Debentures Shares at the price to be determined under the next transaction or series of directly related transactions in the course of which the Corporation issues and sells common shares or units for aggregate net proceeds of not less than \$5,000,000, the whole in accordance with the terms and conditions set forth in an amending agreement with each of the Holders.

On April 24, 2023, \$2,000,000 of convertible debentures were converted into common shares of the Company. At the date of conversion, these debentures had an amortized cost totalling \$1,443,894. The Company issued 2,816,901 common shares to the debenture holders and recorded 1,443,894 in share capital.

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

	2023 June 30	2022 December 31
Balance at the beginning of the period	2,109,903	-
Addition	-	3,080,000
Issuance costs allocated to the debenture component	-	(201,194)
Equity component of convertible debentures	-	(319,209)
Contributed surplus for the warrants	-	(465,825)
Balance at inception or beginning of the period	2,109,903	2,093,772
Conversion of debentures	(1,443,894)	-
Accretion of debentures	115,692	14,085
Amortization of financing issuance costs	34,356	2,046
Balance at the end of the period	816,058	2,109,903

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

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

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

As at June 30, 2023, the balance from the subscriptions receivable of convertible debentures recorded in the debtors was \$Nil (December 31, 2022 - \$2,010,000).



## TENET FINTECH GROUP INC.

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#### 12 - DEBENTURES (CONTINUED)

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

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

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

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

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

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

On April 19, 2023, the Company amended the conversion terms of the convertible debentures to allow the holders thereof to convert the face value of the Debentures into Debentures Shares at the price to be determined under the next transaction or series of directly related transactions in the course of which the Corporation issues and sells common shares or units for aggregate net proceeds of not less than \$5,000,000, the whole in accordance with the terms and conditions set forth in an amending agreement with each of the Holders.

On May 9, 2023, \$3,040,000 of convertible debentures were converted into common shares of the Company. At the date of conversion, these debentures has an amortized cost totalling \$2,162,311. The Company issued 3,040,000 common shares to the debenture holders and recorded \$2,162,311 in share capital.

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

	2023 June 30	2022 December 31
Balance at the beginning of the period	-	-
Addition	3,510,000	-
Issuance costs allocated to the debenture component	(232,162)	-
Conversion component of convertible debenture	(353,172)	-
Contributed surplus for the warrants	(504,901)	-
<b>Balance at inception or beginning of the period</b>	<b>2,419,765</b>	<b>-</b>
Conversion of debentures	(2,162,311)	-
Interest and accretion of debentures	48,812	-
Amortization of financing issuance costs	23,233	-
<b>Balance at the end of the period</b>	<b>329,499</b>	<b>-</b>

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

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

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

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 12 - DEBENTURES (CONTINUED)

##### 12.3 Conversion option

	2023	2022
	June 30	December 31
Balance at the beginning of the period	-	-
Addition (1)	613,478	-
Change in fair value	(15,093)	-
Conversion of debentures	(457,642)	-
Balance at the end of the period	140,743	-

(1) Following the amendment of the conversion terms of the convertible debentures as mentioned in note 12.1 and 12.2, the Company reclassified the conversion option (net of related issuances costs) of the debentures from equity to a liability in the Condensed Interim Consolidated Statements of Financial position for the period ended June 30, 2023.

#### 13 - BONDS

On May 29, 2020, the Company has placed 400 units of secured corporate bonds at \$1,000 per unit. Each unit sold was comprised of a \$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").

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 June 30, 2023, is \$10,000 (December 31, 2022 - \$16,667) 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%.

As the bonds have expired, the Company is in the process of negotiating an extension with the bondholders. Interests expense has been accrued as per the initial terms of the bonds, up to the period ended June 30, 2023.

The movement during the six-month period ended June 30, 2023, and the year ended December 31, 2022, relating to these bonds, were as follows:

	2023	2022
	June 30	December 31
Balance at the beginning of the period	373,547	313,234
Accretion on bonds	15,629	33,339
Amortization of initial costs	10,824	26,974
Balance at the end of the period	400,000	373,547

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

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

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 15 - SHAREHOLDERS' EQUITY

##### 15.1 Authorized share capital

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

##### 15.2 Description of the shareholders' equity operations during the six-month period ended June 30, 2023

- a) On June 1, 2023, the Company announced that it intended to complete a non-brokered private placement financing of units of the Company for proceeds of up to \$3,000,000, conducted in tranches of a minimum of \$300,000 per tranche over a period of six months. Each Unit to be sold is comprised of one common share of the Company and one common share purchase warrant to purchase one Common Share at a price per share that will be determined at each tranche offering, any time prior to two years following the closing of the each tranche offering, subject to certain terms and conditions.
- On June 7, 2023 the Company issued the first tranche of 2,142,858 common shares at \$0.14 and common share purchase warrant at \$0.175 per share with a total cash consideration of \$300,000. Consequently \$146,814 was credited to contributed surplus and \$153,186 was credited to capital stock in the consolidated statement of changes in equity.
- On June 22, 2023 the Company issued the second tranche of 4,291,846 common shares at \$0.1165 and common share purchase warrant at \$0.155 per share with a total cash consideration of \$500,000. Consequently \$299,943 was credited to contributed surplus and \$200,057 was credited to capital stock in the consolidated statement of changes in equity.
- On June 29, 2023, the Company announced that it did not intend to proceed with closing additional rounds of the \$3M financing.
- b) During the six-month period ended June 30, 2023, the Company issued 100,000 common shares at an average exercise price of \$0.175 per share for total proceeds of \$17,500 upon the exercise of common share purchase warrants. An amount of \$13,418 related to exercised warrants were transferred from contributed surplus to share capital in the consolidated statements of changes in equity.
- c) On June 27, 2023, 2,042,858 warrants were exercised at a price of \$0.175 per share for total proceeds of \$357,500. Considering that the share issuance only occurred on July 7, 2023, the Company recorded \$357,500 in equity to issue within the Condensed interim Consolidated Statements of Changes in Equity.
- d) During the six-month period ended June 30, 2023 and as mentioned in note 12, \$5,040,000 convertible debentures were converted into 5,856,901 common shares. The Company therefore issued 5,859,901 common shares to the debenture holders and recorded \$3,606,205 in share capital. In addition, an amount of \$457,642 was transferred to capital stock from conversion option in the consolidated statement of financial position.

##### 15.3 Description of the shareholders' equity operations during the six-month period ended June 30, 2022

- a) During the six-month period ended June 30, 2022, the Company issued 1,653,000 common shares at an average exercise price of \$1.04 per share for total proceeds of \$1,722,250 upon the exercise of share purchase warrants, out of which, \$150,000 was received in 2021. An amount of \$432,246 related to exercised warrants were transferred from contributed surplus to share capital in the consolidated statements of changes in equity.
- b) During the six-month period ended June 30, 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.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 15 - SHAREHOLDERS' EQUITY (CONTINUED)

##### 15.4 Warrants

The outstanding warrants movement as at June 30, 2023 and December 31, 2022 and the respective changes during the year, are summarized as follows:

	June 30, 2023		December 31, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	17,748,213	3.22	17,332,504	3.06
Granted	10,165,954	0.84	3,259,900	2.00
Expired	(16,328)	1.18	(584,691)	0.50
Exercised (1)	(2,142,858)	0.18	(2,259,500)	0.90
Outstanding and exercisable, end of period	25,754,981	2.54	17,748,213	3.22

As at June 30, 2023, and December 31, 2022, the number of outstanding warrants which could be exercised for an equivalent number of common shares in the exception of the warrants expiring on July 7, 2023, for which two warrants are needed to be exercised for one common share, is as follows:

	June 30, 2023		December 31, 2022	
	Number	Exercise price	Number	Exercise price
Expiration date				
May, 2023	-	-	3,000	2.00
May, 2024	-	-	13,328	1.00
July, 2023	12,870,149	3.50	12,870,149	3.50
July, 2023	1,601,836	3.50	1,601,836	3.50
December, 2024	3,080,000	2.00	3,080,000	2.00
December, 2024	179,900	2.00	179,900	2.00
January, 2025	3,510,000	2.00	-	-
January, 2025	221,250	2.00	-	-
June, 2025	4,291,846	0.16	-	-
	25,754,981		17,748,213	

- (1) On June 27, 2023, 2,042,858 warrants were exercised at a price of \$0.175 per share for total proceeds of \$357,500. Considering that the share issuance only occurred on July 7, 2023, the Company recorded \$357,500 in equity to issue within the Condensed interim Consolidated Statements of Changes in Equity.

## TENET FINTECH GROUP INC.

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#### 16 - SHARE-BASED PAYMENTS

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

The outstanding options movement as at June 30, 2023, and December 31, 2022, are summarized as follows:

	June 30, 2023		December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of period	3,871,025	2.02	4,689,250	1.93
Granted	92,019	0.89	333,542	2.90
Exercised (1)	–	–	(117,500)	2.10
Expired	(306,087)	1.19	(462,500)	1.87
Forfeited	(53,126)	3.67	(571,767)	3.20
<b>Outstanding at the end of period</b>	<b>3,603,831</b>	<b>2.01</b>	<b>3,871,025</b>	<b>2.02</b>
<b>Exercisable at the end of period</b>	<b>3,036,621</b>	<b>1.85</b>	<b>2,734,800</b>	<b>1.50</b>

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

The table below summarizes the information related to outstanding share options as at June 30, 2023.

Maturity date	Range of exercise price	Number of options	Weighted average remaining contractual life (years)
February 2, 2024	1.00	37,500	7 months
May 1, 2024	1.00	50,000	10 months
May 27, 2024	1.00	447,500	10 months
September 5, 2024	1.00	10,000	1 year and 2 months
November 1, 2024	1.10	50,000	1 year and 4 months
December 11, 2024	1.00	5,000	1 year and 5 months
June 11, 2025	1.00	745,500	1 years and 11 months
October 28, 2025	1.50	1,075,000	2 years and 3 months
November 6, 2025	2.70	50,000	2 years and 4 months
March 22, 2026	5.50	55,000	2 years and 8 months
May 13, 2026	4.80	5,000	2 years and 10 months
July 7, 2026	4.10	700,000	3 years and 0 months
October 28, 2026	11.50	25,000	3 years and 3 months
January 1, 2027	7.50	26,942	3 years and 6 months
February 1, 2027	5.60	16,789	3 years and 7 months
March 1, 2027	4.10	1,384	3 years and 8 months
April 1, 2027	4.16	14,903	3 years and 9 months
May 1, 2027	5.13	9,751	3 years and 10 months
June 1, 2027	2.55	2,842	3 years and 11 months
July 1, 2027	1.65	4,246	4 years and 0 months
August 1, 2027	1.41	35,892	4 years and 1 months
September 1, 2027	2.08	4,420	4 years and 2 months
October 1, 2027	1.24	72,255	4 years and 3 months
November 1, 2027	1.02	12,091	4 years and 4 months
December 1, 2027	0.85-3.59	54,796	4 years and 5 months
February 1, 2028	0.95	47,257	4 years and 7 months
March 1, 2028	0.84	44,762	4 years and 8 months
		<b>3,603,831</b>	

## TENET FINTECH GROUP INC.

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

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

Maturity date	Range of exercise price	Number of options	Weighted average remaining contractual life (years)
April 16, 2023	1.00	5,000	3 months
June 5, 2023	1.00	288,750	5 months
November 28, 2023	1.00	37,500	10 months
May 1, 2024	1.00	50,000	1 years and 4 months
May 27, 2024	1.00	447,500	1 years and 4 months
September 5, 2024	1.00	10,000	1 years and 8 months
November 1, 2024	1.10	50,000	1 years and 10 months
November 12, 2024	1.00	5,000	1 years and 10 months
June 11, 2025	1.00	745,500	2 years and 5 months
October 28, 2025	1.50	1,075,000	2 years and 9 months
November 6, 2025	2.70	50,000	2 years and 10 months
March 22, 2026	5.50	55,000	3 years and 2 months
May 13, 2026	4.80	5,000	3 years and 4 months
July 7, 2026	4.10	700,000	3 years and 6 months
October 28, 2026	11.50	25,000	3 years and 9 months
January 1, 2027	7.50	32,725	4 years and 0 months
February 1, 2027	5.60	42,881	4 years and 1 months
March 1, 2027	4.10	1,384	4 years and 2 months
April 1, 2027	4.16	15,627	4 years and 3 months
May 1, 2027	5.13	13,585	4 years and 4 months
June 1, 2027	2.55	2,842	4 years and 5 months
July 1, 2027	1.65	5,763	4 years and 6 months
August 1, 2027	1.41	35,892	4 years and 7 months
September 1, 2027	2.08	14,791	4 years and 8 months
October 1, 2027	1.24	72,255	4 years and 9 months
November 1, 2027	1.02	17,500	4 years and 10 months
December 1, 2027	0.85-3.59	66,530	4 years and 11 months
		3,871,025	

During the six-month ended June 30, 2023, the Company recorded an \$446,368 related to share-based payments (period ended June 30, 2022 - \$1,112,302) in the condensed interim consolidated statements of comprehensive profit and loss and contributed surplus.

#### 16.1 Share-based payments granted to directors and employees during the six-month period ended June 30, 2023

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

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

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

## TENET FINTECH GROUP INC.

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

##### 16.2 Share-based payments granted to directors and employees during the six-month period ended June 30, 2022

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

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

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

#### 17 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are as follows:

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

The Company monitors capital based on the carrying amount of equity which represents \$103,533,118 as at June 30, 2023 (December 31, 2022 - \$117,607,868).

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

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

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 18 - FINANCIAL INSTRUMENTS

##### 18.1 Classification of financial instruments

As at June 30, 2023, the carrying amount of financial assets and financial liabilities were as follows:

	June 30, 2023		
	Assets and liabilities carried at fair value	Assets and liabilities carried at amortized cost	Total carrying value
<b>Financial assets</b>			
Cash	–	1,088,451	1,088,451
Restricted Cash	–	192,500	192,500
Debtors	–	21,578,141	21,578,141
Deposits made for transactions on platforms	–	24,293,487	24,293,487
Loans receivable	–	15,846,182	15,846,182
Deposit	–	78,852	78,852
Other equity investments	1,368,750	–	1,368,750
	1,368,750	63,077,613	64,446,363
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	–	11,661,742	11,661,742
Bonds	–	400,000	400,000
CEBA Loan	–	100,000	100,000
Debentures	–	1,145,557	1,145,557
Debentures conversion component	140,743	–	–
Contingent consideration payable	2,037,282	–	2,037,282
	2,178,025	13,307,298	15,344,580

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

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

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

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

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

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

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



## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2023, and 2022

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#### 18 - FINANCIAL INSTRUMENTS (CONTINUED)

##### 18.3 Financial risks

###### 18.3.1 Liquidity risk

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

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

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

	June 30, 2023		
	Current		Long-term
	Within 6 months	6 to 12 months	More than 12 months
Accounts payable and accrued liabilities	11,661,742	–	–
Bonds	400,000	–	–
Contingent consideration payable	–	–	2,627,863
CEBA loan	–	100,000	–
Debenture	–	–	1,550,000
	12,061,742	100,000	4,177,863

  

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

##### 18.4 Finance costs

The breakdown of Finance costs during the six-month period ended June 30, 2023 and 2022 is as follows:

	2023	2022	2023	2022
	June 30 Three-month	June 30 Three-month	June 30 Six-month	June 30 Six-month
Interest on lease liabilities (note 11)	78,253	38,268	134,805	75,401
Interest on security deposit and advances	–	(4,327)	–	–
Interest paid on debentures and bonds	101,396	10,000	224,501	20,000
Accretion on debentures and bonds	20,043	8,089	180,135	15,703
Total interest expense	199,692	52,029	539,441	111,103
Interest income	(6,368)	(23,329)	(15,810)	(38,495)
Miscellaneous	22,334	17,428	27,262	22,472
Total Finance costs	215,658	46,128	550,893	95,080

##### 18.5 Fair value

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

- The fair value of cash, restricted cash, short and long term loans receivable, debtors (except sales tax receivable), 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 at its cost which approximate its fair value;
- The fair value of contingent compensation payable related to the acquisition of Heartbeat & Steelchain (note 4) is estimated using a discounted cash flow method and reflects management's estimate that the contract's target level will be achieved;
- The fair value of equity investments is based on the underlying fair market value of the assets & liabilities as at the date of reporting.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 18 - FINANCIAL INSTRUMENTS (CONTINUED)

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

#### 19 - RELATED PARTY TRANSACTIONS

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

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

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

	2023 June 30 <i>Three-month</i>	2022 June 30 <i>Three-month</i>	2023 June 30 <i>Six-month</i>	2022 June 30 <i>Six-month</i>
Salaries and fringe benefits	359,932	340,013	722,856	540,210
Share-based payments	132,828	408,797	269,116	821,848
	<u>492,760</u>	<u>748,810</u>	<u>991,972</u>	<u>1,362,058</u>

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

As at June 30, 2023, and 2022 the consolidated statement of financial position includes the following amounts with related parties:

	2023 June 30	2022 December 31
Loans, with interest (1)	210,940	206,300
Advances made from a company owned by a Director, no interest (2)	857,750	
	<u>1,068,690</u>	<u>206,300</u>

- (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 \$42,049 as at June 30, 2023, resigned and ceased to be a related party. As at June 30, 2023, the aggregate outstanding principal amount due to related parties for said loans is \$210,940 (December 31, 2022 - \$206,300). As the loans have expired, the Company is in the process of negotiating repayment terms to be agreed upon with each current and past board member.
- (2) During the first semester of 2023, a Director of the Company loaned \$857,750 to a subsidiary of the Company, through a personal holding Company. As at June 30, 2023, the aggregate outstanding principal amount due by a subsidiary of the Company regarding this loan is \$857,750 (December 31, 2022 - \$Nil) and bears no interest given the fact that only licensed lenders are allowed to charge interest on loans granted to corporate borrowers as per the laws in mainland China.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2023, and 2022

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#### **20 - SEGMENT REPORTING**

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

The operating segments are detailed as follows:

##### ***Fintech Platform***

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

##### ***Financial Services***

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

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

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 20 - SEGMENT REPORTING (CONTINUED)

##### Other

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

The segment information for the six-month periods ended June 30, 2023, and 2022, are as follows:

	Six-month period ended June 30, 2023				
	Fintech Platform	Financial Services	Other	Elimination	Total
<b>Revenues (1)</b>					
Financial service revenue from external customers	-	665,501	-	-	665,501
Fees and sales from external customers	6,818,356	267,285	-	-	7,085,641
Supply chain services	18,519,376	-	-	-	18,519,376
Inter-segment	2,452,933	19,346	-	(2,472,279)	-
<b>Total revenues</b>	<b>27,790,665</b>	<b>952,132</b>	<b>-</b>	<b>(2,472,279)</b>	<b>26,270,518</b>
<b>Expenses</b>					
Depreciation and amortization	4,487,794	66,205	159,692	-	4,713,691
Finance costs	75,136	11,445	464,312	-	550,893
Change in fair value of contingent consideration	155,073	-	224,728	-	379,801
Change in fair value of debentures conversion rights	-	-	(15,093)	-	(15,093)
Cost of service, supply chain	17,151,328	-	-	-	17,151,328
All other expenses	15,505,835	501,140	5,137,085	(2,472,279)	18,671,781
<b>Total expenses</b>	<b>37,375,166</b>	<b>578,790</b>	<b>5,970,724</b>	<b>(2,472,279)</b>	<b>41,452,401</b>
Profit (loss) before tax	(9,584,501)	373,342	(5,970,724)	-	(15,181,883)
Income tax	(91,275)	67,634	-	-	(23,641)
<b>Net profit (loss)</b>	<b>(9,493,226)</b>	<b>305,708</b>	<b>(5,970,724)</b>	<b>-</b>	<b>(15,158,242)</b>
Non-controlling interest	(746,531)	161,622	-	-	(584,909)
Net profit (loss) attributable to:					
Owners of the parent	(8,746,695)	144,086	(5,970,724)	-	(14,573,333)
<b>Segmented assets</b>	<b>98,057,268</b>	<b>18,226,370</b>	<b>12,570,335</b>	<b>-</b>	<b>128,853,972</b>

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

	Six-month period ended June 30, 2022				
	Fintech Platform	Financial Services	Other	Elimination	Total
<b>Revenues (1)</b>					
Financial service revenue from external customers	-	1,056,357	-	-	1,056,357
Fees and sales from external customers	2,493,320	343,900	-	-	2,837,220
Supply chain services	63,331,470	-	(51,359)	-	63,280,111
Inter-segment	2,739,713	187,590	-	(2,927,303)	-
<b>Total revenues</b>	<b>68,564,503</b>	<b>1,587,847</b>	<b>(51,359)</b>	<b>(2,927,303)</b>	<b>67,173,688</b>
<b>Expenses</b>					
Depreciation and amortization	3,266,737	90,064	3,894	-	3,360,696
Finance costs	782,247	15,348	(1,036)	-	796,559
Cost of service, supply chain	57,996,607	-	-	-	57,996,607
All other expenses	5,241,557	878,379	9,562,009	(2,927,303)	12,754,642
<b>Total expenses</b>	<b>67,287,148</b>	<b>983,790</b>	<b>9,564,868</b>	<b>(2,927,303)</b>	<b>74,908,503</b>
Profit (loss) before tax	1,277,354	604,057	(9,616,227)	0	(7,734,815)
Income tax (recovery)	1,709,638	193,901	53,919	-	1,957,458
<b>Net profit (loss)</b>	<b>(432,283)</b>	<b>410,155</b>	<b>(9,670,146)</b>	<b>0</b>	<b>(9,692,273)</b>
Non-controlling interest	(123,348)	282,324	-	-	158,976
Net profit (loss) attributable to:					
owners of the parent	(308,935)	127,831	(9,670,146)	0	(9,851,249)
<b>Segmented assets</b>	<b>146,563,034</b>	<b>24,354,950</b>	<b>13,917,555</b>	<b>(1,440,445)</b>	<b>183,395,094</b>

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

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 20 - SEGMENT REPORTING (CONTINUED)

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

	2023	2022
	June 30	December 31
	Non-current Assets	Non-current Assets
China	39,448,600	41,022,054
Canada	24,540,012	23,484,742
	63,988,612	64,506,796

#### 21 - NON-CONTROLLING INTERESTS

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

Entities	2023	2022
	June 30	December 31
	% ownership and voting rights held by NCIs	% ownership and voting rights held by NCIs
Asia Synergy Supply Chain Ltd. ("ASSC")	49%	49%
Asia Synergy Financial Capital Ltd. ("ASFC")	49%	49%
Wechain (Nanjing) Technology Service Co., Ltd. ("WECHAIN")	49%	49%
Beijing Kailifeng New Energy Technology Co., Ltd. ("KALIFENG")	49%	49%
Shanghai Xihuizhi Supply Chain Management Co., Ltd. ("ASAC")	49%	49%
Jiangsu Supairui IOT Technology Co., Ltd. ("ASTH")	20%	20%
Wuxi Suyetong Supply Chain Management Co., Ltd. ("SST")	20%	20%

Entities	Total comprehensive profit and loss allocated to NCI		Accumulated NCI	
	2023	2022	2023	2022
	June 30	June 30	June 30	December 31
Asia Synergy Supply Chain Ltd. ("ASSC")	(367,007)	40,695	1,869,208	2,236,215
Asia Synergy Financial Capital Ltd. ("ASFC")	(306,156)	91,989	11,458,318	11,764,472
Wechain (Nanjing) Technology Service Co., Ltd. ("WECHAIN")	(180,589)	(159,261)	286,841	467,430
Kailifeng New Energy Technology Co., Ltd. ("KALIFENG")	(232,699)	(52,392)	682,568	774,254
Shanghai Xihuizhi Supply Chain Management Ltd. ("ASAC")	108	(15)	(2,312)	(1,445)
Jiangsu Supairui IOT Technology Co., Ltd. ("ASTH") (1)	(59,530)	-	(38,480)	21,051
	(1,145,873)	(78,984)	14,256,143	15,261,978

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

No dividends were paid to NCIs during the six-month periods ended June 30, 2023, and 2022.

# TENET FINTECH GROUP INC.

## Notes to Condensed Interim Consolidated Financial Statements

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

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

	ASSC		ASFC		Wechain		Kaifeng		ASAC		ASTH (1)		Total	
	2023 June 30	2022 December 31	2023 June 30	2022 December 31	2023 June 30	2022 December 31	2023 June 30	2022 December 31	2023 June 30	2022 December 31	2023 June 30	2022 December 31	2023 June 30	2022 December 31
Current assets	5,500,041	6,424,095	22,307,569	23,455,754	348,010	371,131	1,150,500	1,005,220	1,794	1,946	80,172	798,065	29,388,086	32,056,212
Non-current assets	360	499	1,395,590	2,100,558	451,959	677,787	752,325	814,914	-	-	237,816	312,026	2,838,051	3,905,783
	5,500,401	6,424,594	23,703,159	25,556,312	799,969	1,048,918	1,902,825	1,820,134	1,794	1,946	317,989	1,110,091	32,226,137	35,961,995
Current liabilities	1,621,453	1,754,224	784,502	820,775	245,994	32,522	583,571	42,514	-	-	216,081	478,393	3,453,602	3,128,429
Non-current liabilities	-	30,101	-	428,866	-	59,053	-	178,036	4,563	4,908	-	431,944	4,563	1,132,908
	1,621,453	1,784,325	784,502	1,249,642	245,994	91,575	583,571	220,550	4,563	4,908	216,081	910,338	3,458,164	4,261,337
Equity attributable to owners of the parent	1,945,502	2,327,459	11,926,004	12,244,655	298,549	486,509	710,428	806,857	(2,406)	(1,504)	(153,920)	84,202	14,724,157	15,947,208
Non-controlling interests	1,869,208	2,236,215	11,458,318	11,764,472	286,841	467,430	682,568	774,254	(2,312)	(1,445)	(38,480)	21,051	14,256,143	15,261,978

  

	ASSC		ASFC		Wechain		Kaifeng		ASAC		ASTH (1)		Total	
	2023 June 30	2022 June 30	2023 June 30	2022 June 30	2023 June 30	2022 June 30	2023 June 30	2022 June 30	2023 June 30	2022 June 30	2023 June 30	2022 June 30	2023 June 30	2022 June 30
Revenue	3,274	2,351,599	684,847	1,243,947	183,511	383,262	-	-	-	-	334,130	-	1,205,762	3,978,808
Profit for the year attributable to the owners of the parent	(235,931)	82,165	168,219	293,847	(195,211)	(153,729)	(274,356)	(56,819)	(8)	2	(468,586)	-	(1,005,873)	165,466
Profit for the year attributable to NCIs	(226,676)	78,942	161,622	282,324	(187,555)	(147,701)	(263,597)	(54,590)	(8)	1	(68,692)	-	(584,909)	158,976
Profit (loss) for the year	(462,609)	161,107	329,841	576,171	(382,766)	(301,430)	(537,953)	(111,409)	(16)	-	(537,278)	-	(1,590,782)	324,442
Other comprehensive income ("OCI") for the year														
OCI attributable to the owners of the parent	(169,001)	(39,808)	(368,600)	(198,104)	6,137	(12,031)	21,251	2,287	120	(16)	50,433	-	(459,659)	(247,673)
OCI attributable to NCIs	(140,328)	(38,247)	(467,776)	(190,335)	6,966	(11,560)	30,898	2,198	(16)	(16)	9,162	-	(560,964)	(237,960)
OCI for the year	(309,329)	(78,055)	(836,376)	(388,440)	13,103	(23,591)	52,149	4,485	236	-	59,595	-	(1,020,623)	(485,633)
Total comprehensive income for the year attributable to the owners of the parent	(404,931)	42,357	(200,381)	95,743	(189,073)	(165,760)	(253,105)	(54,532)	112	(14)	(418,154)	-	(1,465,531)	(82,207)
Total comprehensive income for the year attributable to NCIs	(367,007)	40,695	(306,156)	91,989	(180,589)	(159,261)	(232,699)	(52,392)	108	(15)	(59,530)	-	(1,145,873)	(78,984)
Total comprehensive profit and loss for the year	(771,938)	83,052	(506,537)	187,731	(369,662)	(325,021)	(485,804)	(106,924)	220	-	(477,684)	-	(2,611,404)	(161,191)
Net cash used in operating activities	1,100,122	2,093,415	1,454,908	1,908,806	(13,261)	(144,814)	(91,564)	(504,166)	(177)	3	(36,277)	-	2,414,751	3,353,343
Net cash used in investing activities	14	(647)	(209,238)	17,451	42,837	14,897	(402,147)	-	-	-	(4,880)	-	(183,755)	(339,215)
Net cash from financing activities	(980,683)	(1,991,162)	(443,361)	(789,469)	(1,600)	(3,098)	92,882	913,959	-	1,989	(485)	-	(1,331,148)	(1,867,782)
Foreign exchange differences	(146,369)	(41,278)	(824,736)	(866,777)	(10,095)	(35,558)	(13,802)	(5,325)	103	(65)	16,039	-	(979,861)	(949,002)
	(26,916)	60,328	(22,428)	273,301	(7,505)	(140,633)	2,512	2,321	(75)	1,927	(24,603)	-	(79,013)	197,244

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

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited)

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

During the six-month period ended June 30, 2023, the Company's subsidiary, AST, along with the non-controlling interests of KALIFENG and ASAC, 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 \$140,038 in KALIFENG (June 30, 2022 - \$482,884), and \$Nil in ASAC (June 30, 2022 - \$975). As at June 30, 2023 the amount of the NCI's portion of the capital injection agreed for these NCI's that was outstanding was \$1,142,393 (December 31, 2022 - \$1,002,356).

#### **22 - CONTINGENCIES**

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

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

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

In the comparative condensed interim consolidated statements of comprehensive profit and loss for the six-month period ended June 30, 2022, the Company reclassified, to better reflect their underlying nature, from the cost of service \$985,398 to the software delivery services and \$238,888 to the service fees.

#### **24 - SUBSEQUENT EVENT**

##### **24.1 Private placement**

Following the press release on June 29, 2023 in which the Company disclosed its intention to proceed with a series of financings for gross proceeds of up to \$20M, the Company announced on August 1, 2023 that it has issued and completed a first tranche closing of the Financing with the sale of 2,598 units comprised of convertible debentures and warrants by way of non-brokered private placement financing at a price of \$1,000 per Unit for gross proceeds of approximately CAD\$2,598,000. On August 18, 2023 the Company announced that it has issued and completed a second tranche closing of the Financing with the sale of 7,625 units comprised of convertible debentures and warrants by way of non-brokered private placement financing at a price of \$1,000 per Unit for gross proceeds of approximately CAD\$7,625,000.

Of the total amount closed through the combined private placements of August 1, 2023 and August 18, 2023, \$9,100,000, was awaiting transfer to the Company's Canadian bank account while being held in a bank account in China under the control of the Company's Asia Synergy Holdings subsidiary.