

**Tenet Fintech Group Inc.**  
**Condensed Interim Consolidated**  
**Financial Statements (Unaudited)**  
**For the three and six-month periods ended**  
**June 30, 2024, and 2023**



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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, 2024, and 2023

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

(Unaudited)

	Note	Three-month periods ended		Six-month periods ended	
		June 30		June 30	
		2024	2023	2024	2023
<b>Revenues</b>		713,943	16,776,714	1,479,578	26,270,518
<b>Expenses</b>					
Cost of service		22,144	11,182,615	31,546	17,151,328
Software delivery services		2,506	1,255,207	5,963	2,019,412
Salaries and fringe benefits		1,720,159	3,200,751	3,391,212	7,257,260
Service fees		28,727	1,322,515	275,434	2,448,776
Board remuneration		37,500	206,774	75,000	302,766
Consulting fees		736,340	(46,386)	883,846	(19,876)
Outsourced services, software and maintenance		705,489	1,473,604	1,161,369	2,742,404
Professional fees		279,937	1,058,150	867,397	1,787,128
Marketing, public relations and press releases		34,038	83,398	161,723	462,543
Office supplies, software and hardware		146,913	110,725	276,607	519,880
Lease expenses		117,466	46,287	206,781	94,064
Insurance		202,889	336,002	415,645	684,888
Finance costs	22.4	684,510	215,658	1,015,516	550,893
Expected credit loss	5-6	7,509,385	80,672	7,563,508	102,373
Travel and entertainment		18,063	51,841	47,071	114,052
Stock exchange and transfer agent costs		46,852	94,106	64,188	126,447
Translation cost and others		25,228	(44,104)	33,867	(32,972)
Depreciation of property and equipment	8	34,251	50,744	69,517	77,462
Depreciation of right-of-use assets	8	95,344	196,753	203,955	395,501
Amortization of intangible assets	11	1,913,438	2,077,625	3,831,621	4,172,315
Amortization of financing issuance costs	14	37,904	16,878	61,084	68,413
Change in fair value of contingent consideration payable	4.1	(199,500)	303,981	(383,064)	379,801
Change in fair value of debentures conversion options	14.9	(22,790)	(15,093)	(75,010)	(15,093)
Loss on investment in associate company	9	-	15,129	-	33,158
Forgiveness of CEBA loan	16	-	-	(20,000)	-
Loss on sublease	10	-	-	158,203	-
Gain on disposition of property and equipment	8	-	-	(12,797)	-
Loss on foreign exchange		(12,348)	9,296	26,016	29,478
Loss before income taxes		14,164,445	23,283,128	20,336,198	41,452,401
Income taxes		(13,450,502)	(6,506,414)	(18,856,620)	(15,181,883)
Net loss		(13,451,547)	(6,453,557)	(18,865,664)	(15,158,242)
Net loss attributable to :					
Non-controlling interest	25	(776,318)	(315,381)	(1,001,329)	(584,909)
Owners of the parent		(12,675,229)	(6,138,176)	(17,864,335)	(14,573,333)
		(13,451,547)	(6,453,557)	(18,865,664)	(15,158,242)
<b>Item that will be reclassified subsequently to profit or loss</b>					
Currency translation adjustment		207,907	(5,300,418)	(369,750)	(5,172,985)
<b>Total comprehensive loss</b>		(13,243,640)	(11,753,975)	(19,235,414)	(20,331,227)
<b>Total comprehensive loss attributable to:</b>					
Non-controlling interest	25	(758,371)	(860,683)	(1,144,067)	(1,145,873)
Owners of the parent		(12,485,269)	(10,893,292)	(18,091,347)	(19,185,354)
		(13,243,640)	(11,753,975)	(19,235,414)	(20,331,227)
Weighted average number of outstanding shares		144,179,544	104,352,364	143,660,990	101,961,556
Basic and diluted loss per share		(0.088)	(0.059)	(0.124)	(0.143)

Going concern uncertainty (note 2)

Subsequent events (note 29)

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, 2024, and 2023

(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 (note 25)	Shareholders' equity
		Number of common shares	Amount								
<b>Balance as at January 1, 2024</b>		123,761,745	217,926,082	721,289	26,432,640	1,112,072	(1,606,808)	(210,359,682)	34,225,593	13,656,428	47,882,021
Equity component of convertible debentures	14	-	-	-	1,396,505	327,577	-	-	1,724,082	-	1,724,082
Issuance costs - equity component of convertible debentures	14	-	-	-	(171,640)	(37,077)	-	-	(208,717)	-	(208,717)
Issuance of non-transferable broker warrants	14	-	-	-	135,944	-	-	-	135,944	-	135,944
Conversion of debentures	14-19.2	23,366,667	4,193,007	-	-	(468,861)	-	-	3,724,146	-	3,724,146
Share-based compensation	20	-	-	-	8,375	-	-	-	8,375	-	8,375
Payment of contingent consideration	4.1	269,814	539,628	(539,628)	-	-	-	-	-	-	-
Transactions with owners		147,398,226	222,658,717	181,661	27,801,824	933,711	(1,606,808)	(210,359,682)	39,609,423	13,656,428	53,265,851
Net loss		-	-	-	-	-	-	(17,864,335)	(17,864,335)	(1,001,329)	(18,865,664)
Other comprehensive loss		-	-	-	-	-	(227,012)	-	(227,012)	(142,738)	(369,750)
Total comprehensive loss for the period		-	-	-	-	-	(227,012)	(17,864,335)	(18,091,347)	(1,144,067)	(19,235,414)
<b>Balance as at June 30, 2024</b>		147,398,226	222,658,717	181,661	27,801,824	933,711	(1,833,820)	(228,224,017)	21,518,076	12,512,361	34,030,437

	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 (note 25)	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	19.3	6,434,704	353,243	-	446,757	-	-	-	800,000	-	800,000
Equity component of convertible debentures	14	-	-	-	504,901	(319,209)	-	-	185,692	-	185,692
Issuance costs - equity component of convertible debentures	14	-	-	-	(44,201)	27,985	-	-	(16,216)	-	(16,216)
Deferred tax - equity component of convertible debentures		-	-	-	(110,372)	69,759	-	-	(40,613)	-	(40,613)
Issuance of broker compensation warrants	14	-	-	-	77,632	-	-	-	77,632	-	77,632
Exercise of warrants and broker warrants	19.3	100,000	30,918	357,500	(13,418)	-	-	-	375,000	-	375,000
Conversion of debentures	14-19.2	5,856,901	4,063,847	-	-	-	-	-	4,063,847	-	4,063,847
Share-based compensation	20	-	-	-	446,368	-	-	-	446,368	-	446,368
Subscription for shares by non-controlling interests	25	-	-	-	-	-	-	-	-	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 period		-	-	-	-	-	(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

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, 2024, and 2023

(In Canadian dollars)

(Unaudited)

	Note	Three-month periods ended		Six-month periods ended	
		June 30		June 30	
		2024	2023	2024	2023
<b>OPERATING ACTIVITIES</b>					
Net loss		(13,451,547)	(6,453,557)	(18,865,664)	(15,158,242)
Non-cash items					
Expected credit loss	5-6	7,509,385	80,672	7,563,508	102,373
Depreciation of property and equipment	8	34,251	50,744	69,517	77,462
Depreciation of right-of-use assets	8	95,344	196,753	203,955	395,501
Amortization of intangible assets	11	1,913,438	2,077,625	3,831,621	4,172,315
Amortization of financing issuance costs	14	37,904	16,878	61,084	68,413
Accretion on debentures and bonds	14	251,576	20,041	435,247	180,133
Accretion of lease interest	13	72,766	78,253	146,627	134,805
Interest income on deposit		(1,274)	(1,198)	(2,529)	(2,378)
Change in fair value of contingent consideration payable	4.1	(199,500)	303,981	(383,064)	379,801
Change in fair value of debentures conversion options	14.9	(22,790)	(15,093)	(75,010)	(15,093)
Share-based compensation	20	3,641	223,947	8,375	446,368
Deferred tax assets and liabilities		-	(515,731)	-	(531,892)
Loss on investment in associate company	9	-	15,129	-	33,158
Forgiveness of CEBA loan	16	-	-	(20,000)	-
Loss on sublease	10	-	-	158,203	-
Gain on disposition of property and equipment	10	-	-	(12,797)	-
Loans receivable maturing in more than 12 months	5	(46,347)	325,442	(78,520)	624,509
Deposits made for transactions on platforms, long term	6.2	(850,229)	-	(912,489)	-
Net changes in working capital items					
Restricted cash		(5,817)	(3,333)	(13,484)	6,667
Income tax payable		(12,873)	110,192	(28,056)	42,854
Accounts receivable	6.1	(492,633)	3,250,091	(684,714)	2,088,251
Deposits made for transactions on platforms, short term	6.2	772,847	1,948,056	692,667	2,546,390
Finance lease receivable	10	2,404	-	3,617	-
Prepayments to third party subcontractors	6.1	52,246	747,189	(30,457)	2,673,742
Other debtors	6.1	112,191	(515,925)	168,311	(390,539)
Loans receivable maturing in less than 12 months	5	85,646	1,012,478	(340,299)	706,367
Assets held for sale		(796)	57,687	(2,387)	63,864
Other prepaid expenses		220,542	376,831	407,079	868,672
Trade accounts payable and accruals	12	2,111,935	(48,048)	5,131,816	2,840,991
Interest payable on debentures	12	275,475	-	237,317	-
Advances from third-party customers	12	1,038	14,976	1,336	(136,723)
Contract liabilities with third-party customers	12	(109,453)	(1,181,652)	63,641	(1,855,870)
Cash flows from operating activities		(1,640,630)	2,172,428	(2,265,549)	361,899
<b>INVESTING ACTIVITIES</b>					
Investments	9	-	-	-	(492,500)
Property and equipment - Addition		-	(85,473)	-	(826,950)
Property and equipment - Disposal	8	-	-	33,962	-
Intangible assets - additions	11	(75,040)	(1,477,796)	(478,595)	(3,965,156)
Cash flows from investing activities		(75,040)	(1,563,269)	(444,633)	(5,284,606)
<b>FINANCING ACTIVITIES</b>					
Advances received from a company owned by a Director	12-23	-	857,750	235,890	857,750
Repayment of lease liabilities	13	(155,096)	(235,861)	(218,664)	(363,351)
Promissory note payable	17	790,000	-	790,000	-
Repayment of loan payable	18	(139,930)	-	(270,967)	-
Repayment of CEBA loan	16	-	-	(66,800)	-
Proceeds from the issuance of shares and warrants	19	-	800,000	-	800,000
Proceeds from the issuance of convertible debentures and warrants	14	1,336,300	-	2,036,035	5,290,350
Proceeds from the exercise of warrants	19	-	375,000	-	375,000
Cash flows from financing activities		1,831,274	1,796,889	2,505,494	6,959,749
<b>IMPACT OF FOREIGN EXCHANGE</b>		144,836	(4,233,957)	(563,990)	(4,171,961)
<b>Net increase(decrease) in cash</b>		260,440	(1,827,909)	(768,678)	(2,134,919)
Cash, beginning of the period		162,440	2,916,360	1,191,558	3,223,370
Cash, end of the period		422,880	1,088,451	422,880	1,088,451

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, 2024 and December 31, 2023

(In Canadian dollars)

(Unaudited)

	Note	As at June 30, 2024	As at December 31, 2023
<b>ASSETS</b>			
Current			
Cash		422,880	1,191,558
Restricted cash	15	36,817	23,333
Loans receivable	5	16,847,652	16,507,353
Assets held for sale		214,225	211,838
Debtors	6.1	13,601,038	14,067,180
Deposits made for transactions on platforms	6.2	9,977,094	10,669,761
Finance lease receivable	10	22,047	-
Prepaid expenses		646,091	1,053,170
Other current assets	7	7,733,174	7,733,174
		49,501,018	51,457,367
Loans receivable	5	175,782	220,523
Deposits made for transactions on platforms	6.2	5,269,604	10,782,714
Finance lease receivable	10	75,316	-
Deposit		83,833	81,304
Property and equipment	8	2,966,283	3,509,324
Investments	9	1,196,340	1,183,005
Intangible assets	11	11,487,287	14,688,483
		70,755,463	81,922,720
<b>LIABILITIES</b>			
Current			
Accounts payable, advances and accrued liabilities	12	19,900,306	15,114,779
Lease liabilities	13	319,276	309,000
Bonds	15	230,000	400,000
CEBA Loan	16	13,200	100,000
Promissory note payable	17	1,090,000	1,410,000
Loan payable	18	404,178	675,145
Debentures	14	1,018,922	563,388
Conversion option	14	5,070	46,240
Contingent consideration payable	4.1	517,140	757,486
Current tax liabilities		2,155,994	2,184,050
		25,654,086	21,560,088
Debentures	14	6,688,780	7,822,405
Conversion option	14	-	33,840
Lease liabilities	13	2,379,348	2,478,836
Foreign deferred tax liability		1,631,111	1,631,111
Contingent consideration payable	4.1	371,701	514,419
		36,725,026	34,040,699
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	19	222,658,717	217,926,082
Shares to be issued	4.1	181,661	721,289
Contributed surplus		27,801,824	26,432,640
Equity component of convertible debentures	14	933,711	1,112,072
Accumulated other comprehensive income (loss)		(1,833,820)	(1,606,808)
Deficit		(228,224,017)	(210,359,682)
Shareholders' equity attributable to owners of the parent		21,518,076	34,225,593
Non-controlling interest	25	12,512,361	13,656,428
Total shareholders' equity		34,030,437	47,882,021
		70,755,463	81,922,720

Going concern uncertainty (note 2)

Subsequent events (note 29)

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

On behalf of the Board,

/S/ Johnson Joseph

Director

/S/ Yves C. Renaud

Director

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2024, and 2023

(In Canadian dollars)

(Unaudited)

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

Tenet Fintech Group Inc. (hereinafter "Tenet" or the "Company") 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 82 Richmond St. E. Toronto ON M5C 1P1. 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 "Pink Sheet" under the symbol "PKKFF".

Tenet is the parent company of a group of innovative financial technology (Fintech) and artificial intelligence (AI) companies. Tenet's subsidiaries offer various analytics and AI-based products and services to businesses, capital markets professionals, government agencies and financial institutions either through or by leveraging data gathered by the Cubeler® Business Hub, a global ecosystem where analytics and AI are used to create opportunities and facilitate B2B transactions among its members.

#### 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 a series of private placements during 2023 and the first half year of 2024, there is no assurance that it will manage to obtain additional financing in the future. In addition, the repatriation of any profits of funds raised by the Company in China, which the Company might want to repatriate from China to Canada, is subject to the rules and regulations established by the Chinese government that restrict the flow of funds between China and foreign jurisdictions. Consequently, the Company may therefore not be able to repatriate profits or transfer funds from its Chinese holding or operating subsidiaries to its head office in Canada, including part or all of the funds raised or to be collected in China through its convertible debenture private placement financings done during 2023. Also, the Company incurred a net loss of \$18,865,664 for the six-month period ended June 30, 2024 (June 30, 2023 - \$15,158,242), it has an accumulated deficit of \$228,224,017 as at June 30, 2024 (year ended December 31, 2023 - \$210,359,682) 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, 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 MATERIAL ACCOUNTING POLICIES

##### 3.1 Statement of compliance with IFRS

These condensed interim consolidated financial statements for the six-month period ended June 30, 2024, have been prepared in accordance with IAS 34 "Interim Financial Reporting". Since they are condensed financial statements, certain information and note disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been voluntarily omitted or summarized.

The preparation of financial statements in accordance with IAS 34 requires the use of certain accounting estimates and requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements have been set out in note 5 of the Company's consolidated financial statements for the year ended December 31, 2023. 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, 2023.

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, 2023 except for new standards and interpretations effective January 1, 2024.

These condensed interim consolidated financial statements for the six-month periods ended June 30, 2024, and 2023 were approved and authorized for the issue by the Board of Directors on August 29, 2024

##### 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, 2024, and 2023

(In Canadian dollars)

(Unaudited)

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

##### 3.3 Basis of Consolidation

These condensed interim 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 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
Tenaris 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
Huike Internet Technology Co., Ltd. ("HUIKE")	China	100%	Technology based product facilitator	Renminbi
Wechain (Nanjing) Technology Service Co., Ltd. ("WECHAIN")	China	51%	Fintech	Renminbi
Kailifeng New Energy Technology Co., Ltd. ("KALIFENG")	China	51%	Technology based clean energy trading platform facilitator	Renminbi
Shanghai Xinhuihui 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 financial statements are presented in Canadian dollars, which is also the functional currency of the parent company.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2024, and 2023

(In Canadian dollars)

(Unaudited)

#### 4 - BUSINESS COMBINATIONS

##### 4.1 Subsequent Accounting

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

As at June 30, 2024, the Company revalued the contingent consideration payable related to the Steelchain acquisition resulting in a gain of \$379,801 (June 30, 2023 - a loss of \$383,064) which was recorded in the condensed interim consolidated statements of comprehensive profit and loss. The value of the contingent consideration payable was estimated at \$888,841 (December 31, 2023 - \$1,271,905) for the Steelchain acquisition. For the period ended June 30, 2024, the Company will pay a contingent consideration amounting to \$Nil.

The movement during the six-month period ended June 30, 2024 and 2023, relating to the contingent consideration payable, were as follows:

	2024 June 30	2023 December 31
Balance at the beginning of the year	1,271,905	1,882,210
Payment by shares to be issued	-	(721,289)
Change in fair value of contingent consideration payable	(383,064)	110,984
<b>Balance at the end of the period</b>	<b>888,841</b>	<b>1,271,905</b>

On January 3, 2024, the company issued 269,814 common shares to the business managers of the Company's subsidiary Steelchain, in accordance with the amended assets purchase and performance agreement of the Steelchain acquisition effective from October 1, 2022. The payment in shares was for the performance based compensation up to September 30, 2023 totaling \$539,628 which was settled in common shares at the minimum price of \$2 per share.

#### 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's 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's 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:

	2024 June 30	2023 December 31
Principal balance loans receivable	17,705,026	17,286,207
Less expected credit loss (ECL)	(681,592)	(558,331)
Loans receivable net	17,023,434	16,727,876
Loans receivable maturing in less than 12 months	16,847,652	16,507,353
Loans receivable maturing in more than 12 months	175,782	220,523
	17,023,434	16,727,876

##### *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, 2023.



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### 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, 2024, and December 31, 2023, 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%		75.0%	1.0%	2.0%
June 30, 2024	%	Gross Carrying Amount	Allowance for Credit Loss	Net Carrying Amount
Stage 1: Not overdue <= 30 Days	93.9%	16,627,954	(3,321)	16,624,633
Stage 2: Overdue 30-90 days	0.2%	30,291	(91)	30,200
Stage 3: Overdue > 90 days	5.9%	1,046,781	(678,180)	368,601
	100.0%	17,705,026	(681,592)	17,023,434
December 31, 2023	%	Gross Carrying Amount	Allowance for Credit Loss	Net Carrying Amount
Stage 1: Not overdue <= 30 Days	94.0%	16,250,606	(3,235)	16,247,371
Stage 2: Overdue 30-90 days	0.0%	-	-	-
Stage 3: Overdue > 90 days	6.0%	1,035,601	(555,096)	480,505
	100.0%	17,286,207	(558,331)	16,727,876

The loss allowance for loans to customers as at June 30, 2024, 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, 2024</b>	-	-	553,828	553,828
Originations net of repayments and other derecognitions	-	-	(10,214)	(10,214)
Net remeasurement	-	-	126,865	126,865
Foreign exchange and other	-	-	6,256	6,256
<b>Loss allowance as at June 30, 2024</b>	-	-	676,735	676,735

	Product Type - Residential property			
	Stage 1	Stage 2	Stage 3	Total ECL
<b>Loss allowance as at January 1, 2024</b>	15	-	1,268	1,283
Originations net of repayments and other derecognitions	(3)	-	(213)	(216)
Net remeasurement	-	88	-	88
Transfers				
- to lifetime ECL performing	(3)	3	-	-
Foreign exchange and other	-	-	386	386
<b>Loss allowance as at June 30, 2024</b>	5	91	1,445	1,541

	Product Type - Credit & Supply Chain Finance Credit			
	Stage 1	Stage 2	Stage 3	Total ECL
<b>Loss allowance as at January 1, 2024</b>	3,220	-	-	3,220
Originations net of repayments and other derecognitions	60	-	-	60
Foreign exchange and other	36	-	-	36
<b>Loss allowance as at June 30, 2024</b>	3,316	-	-	3,316

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2024, and 2023

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(Unaudited)

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

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

	Product Type - Autos			Total ECL
	Stage 1	Stage 2	Stage 3	
<b>Loss allowance as at January 1, 2023</b>	1	–	506,951	506,952
Originations net of repayments and other derecognitions	–	–	(67,977)	(67,977)
Net remeasurement	–	–	132,150	132,150
Foreign exchange and other	(1)	–	(17,296)	(17,297)
<b>Loss allowance as at December 31, 2023</b>	–	–	553,828	553,828

	Product Type - Residential property			Total ECL
	Stage 1	Stage 2	Stage 3	
<b>Loss allowance as at January 1, 2023</b>	24	598	6,887	7,509
Originations net of repayments and other derecognitions	(7)	(487)	(5,535)	(6,029)
Net remeasurement	–	–	187	187
Transfers				
- to lifetime ECL credit-impaired	–	(80)	80	–
Foreign exchange and other	(2)	(31)	(351)	(384)
<b>Loss allowance as at December 31, 2023</b>	15	–	1,268	1,283

	Product Type - Credit & Supply Chain Finance Credit			Total ECL
	Stage 1	Stage 2	Stage 3	
<b>Loss allowance as at January 1, 2023</b>	3,092	–	–	3,092
Originations net of repayments and other derecognitions	283	–	–	283
Foreign exchange and other	(155)	–	–	(155)
<b>Loss allowance as at December 31, 2023</b>	3,220	–	–	3,220

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

##### 6.1 Debtors

	2024	2023
	June 30	December 31
Sales tax receivable	1,014,302	1,138,050
Advances to companies	273,997	325,038
Accounts receivable	8,813,566	9,143,500
Subscriptions receivable from non-controlling interests (note 25)	1,303,415	1,291,770
Promissory notes (1)	222,581	216,102
Subscriptions receivable of convertible debentures (note 14.5)	–	10,000
Prepayments to third party subcontractors (2)	1,973,177	1,942,720
	13,601,038	14,067,180

(1) On December 15, 2021 and June 3, 2022, loans were issued to two board members of the Company in the amounts of \$72,793 and \$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, 2024, the aggregate outstanding principal amount due for said loans is \$222,581 (December 31, 2023 - \$216,102). As the loans have expired, the Company is still in the process of negotiating repayment terms to be agreed with each current 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.

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### Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2024, and 2023

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

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

	2024	2023
	June 30	December 31
Deposits made for transactions on platforms with guarantee (1)	24,663,364	24,388,453
Deposits made for transactions on platforms	480,420	493,695
Deposits made for transactions on platforms before expected credit loss	25,143,784	24,882,148
Less expected credit loss (ECL)	(9,897,086)	(3,429,673)
Deposits made for transactions on platforms after expected credit loss	15,246,698	21,452,475
Deposits made for transactions on platforms, short-term	9,977,094	10,669,761
Deposits made for transactions on platforms, long-term	5,269,604	10,782,714
	15,246,698	21,452,475

(1) As per agreements signed with third parties, subsidiaries of the Company have provided deposits to facilitate capital support from a financial institution in mainland China.

The financial institution provides 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.

The deposits made for transactions on platforms are provided as security and collateral to the financial institution that provides financing solutions to the Company's customers.

The Company classifies the deposits made for transaction on platforms as long term when it expects to recover the deposits twelve months after the reporting period.

Debtors and deposits made for transactions on platforms' amounts are presented on the condensed interim 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, subscriptions receivable of convertible debentures, 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 as potential indicators of no reasonable expectation of recovery. As at June 30, 2024, an expense of \$7,440,247 (June 30, 2023 - a recovery of \$84,588) was recorded as expected credit loss in the condensed interim consolidated statements of comprehensive profit and loss.

##### 7 - OTHER CURRENT ASSETS

	2024	2023
	June 30	December 31
Other current assets (1)	7,733,174	7,733,174
	7,733,174	7,733,174

(1) Of the total amount closed through the combined private placements of August 1st, 2023, August 18th, 2023 and September 8th, 2023, as described in the note 14, the Company had funds from convertible debentures recorded in other current assets amounting to \$7,733,174 as at June 30, 2024. The funds from convertible debentures were still in process of being transferred to the Company from a bank account in China owned by a Director and officer of the Company and were under the control of a Company's holding subsidiary as at June 30, 2024.

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For the six-month periods ended June 30, 2024, and 2023

(In Canadian dollars)

(Unaudited)

#### 8 - PROPERTY AND EQUIPMENT

	Right-of-Use Assets	IT & Office Equipment	Leasehold Improvement	Vehicles & Other Equipment	Total
<b>Gross carrying amount</b>					
Balance as at January 1, 2024	5,371,610	696,923	405,059	215,463	6,689,055
Disposals	(409,237)	(10,928)	–	(23,581)	(443,746)
<b>Balance as at June 30, 2024</b>	<b>4,962,373</b>	<b>685,995</b>	<b>405,059</b>	<b>191,882</b>	<b>6,245,309</b>
<b>Accumulated amortization</b>					
Balance as at January 1, 2023	2,703,747	256,500	28,705	190,779	3,179,731
Depreciation	203,955	49,783	19,137	597	273,472
Disposals	(150,054)	(3,798)	–	(9,546)	(163,398)
Exchange differences	(11,032)	(69)	–	322	(10,779)
<b>Balance as at June 30, 2024</b>	<b>2,746,616</b>	<b>302,416</b>	<b>47,842</b>	<b>182,152</b>	<b>3,279,026</b>
<b>Net carrying amount as at June 30, 2024</b>	<b>2,215,757</b>	<b>383,579</b>	<b>357,217</b>	<b>9,730</b>	<b>2,966,283</b>

During the first half year of 2024, the Company disposed IT & Office Equipment and Vehicles & Other Equipment having a combined net book value of \$21,165 for \$33,962. Consequently, a gain on disposition of property and equipment of \$12,797 was recorded in the Consolidated Statement of Comprehensive Profit and Loss.

<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	254,944	414,881	405,059	–	1,074,884
<b>Balance as at December 31, 2023</b>	<b>5,371,610</b>	<b>696,923</b>	<b>405,059</b>	<b>215,463</b>	<b>6,689,055</b>
<b>Accumulated amortization</b>					
Balance as at January 1, 2023	1,830,798	156,195	–	150,421	2,137,414
Depreciation	616,533	101,050	28,705	38,270	784,558
Exchange differences	256,416	(745)	–	2,088	257,759
<b>Balance as at December 31, 2023</b>	<b>2,703,747</b>	<b>256,500</b>	<b>28,705</b>	<b>190,779</b>	<b>3,179,731</b>
<b>Net carrying amount as at December 31, 2023</b>	<b>2,667,863</b>	<b>440,423</b>	<b>376,354</b>	<b>24,684</b>	<b>3,509,324</b>

#### 9 - INVESTMENTS

	2024 June 30	2023 December 31
Associate company (1)	–	–
Other equity investments (2,3)	1,196,340	1,183,005
	<b>1,196,340</b>	<b>1,183,005</b>

- 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. Due to the financial situation of DEYUAN, the Company recorded an impairment of \$13,582 as at December 31, 2023 which brought down the balance of this investment to \$Nil. During the six-month period ended June 30, 2024, Tenet recognized \$Nil as a loss on investment in associate company (June 30, 2023 - a loss of \$33,158) in relation to DEYUAN.
- 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 fair market value of the equity investment is \$253,340 as at June 30, 2024 (December 31, 2023 - \$251,505).
- The Company holds, through its ASFC subsidiary, a 5% equity interest in Wuxi Xincheng Venture Capital Partnership ("AVC"), a China-registered investment partnership. The fair market value of the equity investment is \$942,000 as at June 30, 2024 (December 31, 2023 - \$931,500).

The movement during the six-month period ended June 30, 2024 and twelve-month period ended December 31, 2023, relating to the other equity investments, were as follows:

	2024 June 30	2023 December 31
Balance at the beginning of the year	1,183,005	981,500
Return of capital (AXS)	–	(212,980)
Capital injection (AVS)	–	492,500
Foreign exchange	13,335	(78,015)
<b>Balance at the end of the period</b>	<b>1,196,340</b>	<b>1,183,005</b>

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

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(Unaudited)

**10 - FINANCE LEASE RECEIVABLE**

	<b>2024</b>
	June 30
Balance at the beginning of the year	-
Additions	100,980
Rental payments received	(3,617)
<b>Balance at the end of the period</b>	<b>97,363</b>
Current Portion	22,047
Non-current Portion	75,316

As a sublessor, the Company classifies its subleases as either operating or finance leases. In order to do so, the Company assesses whether it transfers substantially all the risks and rewards of ownership. Those assets that transfer substantially all the risks and rewards are classified as finance leases and the opposite as operating leases.

Since March 1st, 2024, the Company changed its head office location from 119 Spadina Avenue, Suite 705, Toronto, Ontario to 82 Richmond St. E. Toronto ON M5C 1P1. Consequently, the Company subleased its prior office space for the residual duration of the initial lease and entered into a new short-term lease. As part of the sublease, the Company recognized a finance lease receivable of \$100,980, derecognized the residual value of the right-of-use asset (see note 8) having a net book value of \$259,183 and recorded a loss on sublease of \$158,203 in the condensed interim consolidated statement of comprehensive profit and loss for the period ending June 30, 2024.

The Company's undiscounted lease payment to be received as at June 30, 2024 were as follows:

As at June 30, 2024	<b>Payments to be received by period</b>			
	1 year	2 - 5 years	Beyond 5 years	Total
Lease payments to be received	26,555	79,085	-	105,640

The total unearned finance income up to the end of the sublease term is \$8,277 as at June 30, 2024.

The total other rental income collected from the subtenant relating to additional rent (operating expenses recovery) is recorded in Revenues the Consolidated Statement of Comprehensive Profit and Loss for the period ending June 30, 2024.

**TENET FINTECH GROUP INC.**

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**11 - INTANGIBLE ASSETS**

The carrying value of the intangible assets as at June 30, 2024 and December 31, 2023, were as follows:

	Loan Servicing Agreement	Gold River Platform (1)	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, 2024	1,430,000	19,114,001	2,597,846	24,924,238	6,477,629	10,501,156	5,287,000	70,331,870
Addition	–	346,656	90,432	–	276,948	(235,441)	–	478,595
<b>Balance as at June 30, 2024</b>	<b>1,430,000</b>	<b>19,460,657</b>	<b>2,688,278</b>	<b>24,924,238</b>	<b>6,754,577</b>	<b>10,265,715</b>	<b>5,287,000</b>	<b>70,810,465</b>
<b>Accumulated amortization and impairment loss</b>								
Balance as at January 1, 2024	715,000	9,823,803	1,692,598	24,924,238	3,744,424	9,459,156	5,284,168	55,643,387
Amortization	71,500	2,457,823	241,895	–	823,759	236,394	250	3,831,621
Exchange differences	–	(101,263)	(10,565)	–	(28,256)	(11,746)	–	(151,830)
<b>Balance as at June 30, 2024</b>	<b>786,500</b>	<b>12,180,363</b>	<b>1,923,928</b>	<b>24,924,238</b>	<b>4,539,927</b>	<b>9,683,804</b>	<b>5,284,418</b>	<b>59,323,178</b>
<b>Net carrying amount as at June 30, 2024</b>	<b>643,500</b>	<b>7,280,294</b>	<b>764,350</b>	<b>–</b>	<b>2,214,650</b>	<b>581,911</b>	<b>2,582</b>	<b>11,487,287</b>
<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	–	5,293,855	301,224	–	854,688	613,654	–	7,063,421
<b>Balance as at December 31, 2023</b>	<b>1,430,000</b>	<b>19,114,001</b>	<b>2,597,846</b>	<b>24,924,238</b>	<b>6,477,629</b>	<b>10,501,156</b>	<b>5,287,000</b>	<b>70,331,870</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	143,000	4,111,428	448,988	1,132,545	1,815,734	1,038,408	230,230	8,920,333
Impairment loss on intangible	–	716,314	–	9,060,356	687,138	2,498,141	1,880,444	14,842,393
Exchange differences	–	307,967	56,259	–	158,673	100,583	–	623,482
<b>Balance as at December 31, 2023</b>	<b>715,000</b>	<b>9,823,803</b>	<b>1,692,598</b>	<b>24,924,238</b>	<b>3,744,424</b>	<b>9,459,156</b>	<b>5,284,168</b>	<b>55,643,387</b>
<b>Net carrying amount as at December 31, 2023</b>	<b>715,000</b>	<b>9,290,198</b>	<b>905,248</b>	<b>–</b>	<b>2,733,205</b>	<b>1,042,000</b>	<b>2,832</b>	<b>14,688,483</b>

(1) Gold River Platform includes the intangible assets of the Steelchain CGU.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited)

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

	2024 June 30	2023 December 31
Trade accounts payable and accruals	14,262,816	10,061,460
Advances received from a company owned by a Director, no interest (1)	689,159	917,742
Advances from third-party customers, no interest	40,870	39,534
Contract liabilities with third-party customers, no interest (2,3)	2,083,045	2,019,404
Interest payable on debentures (note 14)	631,956	394,639
Provision for legal settlement (4)	1,642,440	1,632,000
Advances from third-party (5)	550,020	50,000
	19,900,306	15,114,779

(1) During the course of 2023 and the six-month period ended June 30, 2024, a Company owned by a Director of the Company, made a series of short-term loans to Asia Synergy Holding Inc. ("ASH"), a wholly owned subsidiary of the Company. On April 16, 2024, \$475,000 worth of debenture units were given as an exchange for advances previously received from a company owned by a Officer and Director of the Company in order to partially repay the balance owed to him by the Company. The balance of the net advances received from a Company owned by a Director at no interest as at June 30, 2024 is \$689,159 (December 31, 2023 - \$917,742).

(2) Advance from downstream corporate clients for supply chain bundle service fee.

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

	2024 June 30	2023 December 31
Balance at the beginning of the year	2,019,404	4,488,857
Increase in contract liabilities during the period	106,901	31,095,212
Revenue recognized for balances included in Contract liabilities Balance at the beginning of the period	(50,278)	(2,386,304)
Revenue recognized for Contract liabilities originated during the period	(15,776)	(30,937,481)
Other	-	(12,632)
Exchange differences	22,794	(228,248)
Balance at the end of the period	2,083,045	2,019,404

(4) On April 8th, 2024, an agreement was signed to settle a class action lawsuit that was brought against Tenet and two of its executives on November 19, 2021 in the United States District Court for the Eastern District of New York. Despite the fact that the settlement does not include any admission of liability or wrongdoing on the part of the Company or any defendant, the parties have agreed to a settlement of approximately \$1,632,000 (\$1,200,000 USD) payable in five installments between April 30, 2024, and December 31, 2024. Consequently, a loss on legal settlement totalling \$1,632,000 was initially recorded in the consolidated statements of comprehensive profit and loss for the year ended December 31, 2023 and a provision for legal settlement for the same amount was booked, in accounts payable, advances and accrued liabilities within the consolidated statements of financial position as at December 31, 2023. The balance recorded in accounts payable, advances and accrued liabilities is revalued into Canadian dollars at the foreign exchange rate as at the end of each reporting period with the resulting difference recorded as a foreign exchange expense within the condensed interim consolidated statement of comprehensive profit and loss. During the six-month period ended June 30, 2024, the Company recorded a foreign exchange expense of \$10,440 related to this revaluation. As a result, the balance recorded in accounts payable, advances and accrued liabilities as at June 30, 2024 is \$1,642,440.

(5) During the course of 2023 and the six-month period ended June 30, 2024, the Company received a series of short-term advances from third party investors and through an insider totaling approximately \$1,989,958. Out of the total amount received and during the same period, \$375,000 was repaid in cash by the Company. Out of the total funds raised from the convertible debenture units issued on April 16, 2024, \$1,064,938 worth of units were given as an exchange to repay some of the short-term advances that were enacted during January 1, 2024 to June 30, 2024 as mentioned above. As at June 30, 2024, the balance of the short-term advances from third party investors is \$550,020 (December 31, 2023 - \$50,000).

#### 13 - LEASE LIABILITIES

	2024 June 30	2023 December 31
Balance at the beginning of the year	2,787,836	3,116,191
Amounts arising from business combination	-	-
Adjustment	-	65,925
Additions	-	254,944
Accretion interest	146,627	286,485
Lease payments	(218,664)	(866,880)
Effect of exchange rate change on obligation	(17,175)	(68,829)
Balance at the end of the period	2,698,624	2,787,836
Current Portion	319,276	309,000
Non-current Portion	2,379,348	2,478,836

The Company's obligations regarding lease payments as at June 30, 2024, and December 31, 2023, were as follows:

As at June 30, 2024	Payments due by period			
	1 year	2 - 5 years	Beyond 5 years	Total
Lease payments	719,384	2,189,965	1,800,293	4,709,642

  

As at December 31, 2023	Payments due by period			
	1 year	2 - 5 years	Beyond 5 years	Total
Lease payments	730,978	2,295,301	2,046,277	5,072,556

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

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**14 - DEBENTURES**

The carrying value of the debentures as at June 30, 2024 and 2023, was as follows:

	<b>2024</b>	<b>2023</b>
	June 30	December 31
Debenture issuance of December 23, 2022 (note 14.1)	618,193	563,388
Debenture issuance of January 31, 2023 (note 14.2)	400,729	363,344
Debenture issuance of August 1, 2023 (note 14.3)	1,871,500	1,757,317
Debenture issuance of August 18, 2023 (note 14.4)	1,910,702	5,221,201
Debenture issuance of September 8, 2023 (note 14.5)	510,382	480,543
Debenture issuance of February 2, 2024 (note 14.6)	900,432	-
Debenture issuance of February 27, 2024 (note 14.7)	298,851	-
Debenture issuance of April 16, 2024 (note 14.8)	1,196,912	-
<b>Debentures</b>	<b>7,707,702</b>	<b>8,385,793</b>
Debentures, short-term	1,018,922	563,388
Debentures, long-term	6,688,780	7,822,405
	<b>7,707,702</b>	<b>8,385,793</b>

As at June 30, 2024, \$631,956 of interest payable on debentures is recorded in accounts payable, advances and accrued liabilities (December 31, 2023 - \$394,639).

Total issuance costs recorded in the condensed interim consolidated statements of changes in equity related to convertible debentures issued during the six-month periods ended June 30, 2024 and 2023 were respectively \$208,717 and \$16,216.

The carrying value of the conversion option as at June 30, 2024 and 2023, were as follows:

	<b>2024</b>	<b>2023</b>
	June 30	December 31
Debenture conversion component issuance of December 23, 2022 (note 14.1) (amended in 2023)	2,720	46,240
Debenture conversion component issuance of January 31, 2023 (note 14.2)	2,350	33,840
Conversion option (note 14.8)	5,070	80,080
Conversion option, short-term	5,070	46,240
Conversion option, long-term	-	33,840
	<b>5,070</b>	<b>80,080</b>



## TENET FINTECH GROUP INC.

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For the six-month periods ended June 30, 2024, and 2023

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#### 14 - DEBENTURES (CONTINUED)

##### 14.1 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.

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 related to the conversion feature and the warrants issued were recorded in condensed interim consolidated statements of changes in equity as at the date of issuance. 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. As such, subsequently to the debenture issuance of August 18, 2023 (refer to note 14.4), the debentures are convertible at a price of 0.25\$ per common share.

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 holder and recorded \$1,443,894 in share capital.

Subsequently during the year of 2023, an additional 5,183,099 common shares were issued to the same debenture holder, for a total of 8,000,000 common shares, to bring down the overall conversion price average of the \$2,000,000 convertible debentures to 0.25\$ per share.

On October 24, 2023, \$400,000 of convertible debentures were converted into common shares of the Company. At the date of conversion, these debentures had an amortized cost totalling \$316,463. The Company issued 1,600,000 common shares to the debenture holder and recorded \$316,463 in share capital.

The movement during the six-month period ended June 30, 2024 and 2023, relating to those debentures, was as follows:

	2024	2023
	June 30	December 31
Balance at the beginning of the year	563,388	2,109,903
Conversion of debentures	-	(1,760,357)
Interest and accretion of debentures	43,700	165,114
Amortization of financing issuance costs	11,105	48,728
Balance at the end of the period	618,193	563,388

As at June 30, 2024, \$19,250 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities (December 31, 2023 - \$5,667).

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 as at the date of issuance. 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.

## TENET FINTECH GROUP INC.

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#### 14 - DEBENTURES (CONTINUED)

##### 14.2 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.

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 related to the conversion feature and the warrants issued were recorded in condensed interim consolidated statements of changes in equity as at the date of issuance. 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. As such, subsequently to the debenture issuance of August 18, 2023 (refer to note 14.4), the debentures are convertible at a price of 0.25\$ per common share.

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 six-month period ended June 30, 2024 and 2023, relating to those debentures, was as follows:

	2024	2023
	June 30	December 31
Balance at the beginning of the year	363,344	-
Addition	-	3,510,000
Issuance costs allocated to the debenture component	-	(232,162)
Equity component of convertible debentures	-	(353,172)
Contributed surplus for the warrants	-	(504,901)
Balance at inception or beginning of the period	363,344	2,419,765
Conversion of debentures	-	(2,162,311)
Interest and accretion of debentures	29,614	74,885
Amortization of financing issuance costs	7,772	31,005
Balance at the end of the period	400,729	363,344

As at June 30, 2024, \$12,750 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities (December 31, 2023 - \$3,917).

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 as at the date of issuance. 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.

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#### 14 - DEBENTURES (CONTINUED)

##### 14.3 Debenture issuance of August 1, 2023

On August 1, 2023, the Company issued 2,598 units of convertible debentures (including 2,000 units to Insiders) for gross contractual proceeds of \$2,598,000 (net proceeds of \$2,575,500 after related expenses). Each unit sold comprised of \$1,000 face value debentures, maturing on August 1, 2026, bearing interest at a nominal rate of 10% payable monthly, plus 4,000 purchase warrants, for a total of 10,392,000 purchase warrants, exercisable into Company common shares at \$0.50 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 \$0.25 per common share.

The units contain a "forced warrant conversion" feature under which the debenture will automatically be surrendered and converted into common shares of the Company should the shares of the Company trade at \$5.00 or more for three consecutive trading days.

Tenet also granted 40,000 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 5% of the value of debentures they help place, at a price of \$0.50 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 \$238,838 and \$668,090 related to the conversion feature and the warrants issued were recorded in condensed interim consolidated statements of changes in equity as at the date of issuance. The fair value of the liability component of \$1,673,174 was computed as the present value of future principal and interest, discounted at a rate of 30%, net of the prorated share of transaction costs.

The movement during the six-month period ended June 30, 2024 and 2023, relating to those debentures, was as follows:

	2024	2023
	June 30	December 31
Balance at the beginning of the year	1,757,317	-
Addition	-	2,598,000
Issuance costs allocated to the debenture component	-	(17,898)
Equity component of convertible debentures	-	(238,838)
Contributed surplus for the warrants	-	(668,090)
Balance at inception or beginning of the period	1,757,317	1,673,174
Interest and accretion of debentures	111,200	81,657
Amortization of financing issuance costs	2,983	2,486
Balance at the end of the period	1,871,500	1,757,317

As at June 30, 2024, \$201,183 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities (December 31, 2023 - \$89,569).

As at June 30, 2024, the balance of convertible debentures funds raised from this issuance recorded in the other current assets was \$1,800,000 (December 31, 2023 - \$1,800,000).

The fair value of the 40,000 finder's warrants was calculated at \$4,997 and recorded as issuance of broker compensation warrants in the condensed interim consolidated statements of changes in equity as at the date of issuance. The fair value was calculated using the Black & Scholes option pricing model with the following assumptions:

Share price at the date of grant	\$0.24
Expected life	2 years
Risk-free interest rate	4.72%
Expected volatility	133%
Dividend	0%
Exercise price at the date of grant	\$0.50

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

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#### 14 - DEBENTURES (CONTINUED)

##### 14.4 Debenture issuance of August 18, 2023

On August 18, 2023, the Company issued 7,625 units of convertible debentures for gross contractual proceeds of \$7,625,000 (net proceeds of \$7,625,000 after related expenses). Each unit sold comprised of \$1,000 face value debentures, maturing on August 18, 2026, bearing interest at a nominal rate of 10% payable monthly, for a total of 30,500,000 purchase warrants, exercisable into Company common shares at \$0.50 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 \$0.25 per common share.

The units contain a "forced warrant conversion" feature under which the debenture will automatically be surrendered and converted into common shares of the Company should the shares of the Company trade at \$5.00 or more for three consecutive trading days.

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 \$666,241 and \$1,952,366 related to the conversion feature and the warrants issued were recorded in condensed interim consolidated statements of changes in equity as at the date of issuance. The fair value of the liability component of \$5,006,393 was computed as the present value of future principal and interest, discounted at a rate of 30%.

During the beginning of the month of January 2024, convertible debentures having a nominal value of \$5,000,000 were converted into common shares of the Company. At the date of conversion, these debentures had an amortized cost totalling \$3,423,738. The Company issued 20,000,000 common shares to the debenture holders and recorded \$3,860,618 in share capital which included the reclassification of the equity component of convertible debentures initially recorded at inception totalling \$436,880.

In addition, during the month of January 2024, the holders of the above mentioned convertible debentures waived their right to receive the interest due to them by the Company up until the conversion dates that occurred between January 5 and 8, 2024. In total, \$192,876 of interests were relinquished and were recorded as a credit in finance costs (note 22.4) with an equivalent amount that was reversed by the Company from accounts payable, advances and accrued liabilities (refer to note 12) as at June 30, 2024.

The movement during the six-month period ended June 30, 2024 and 2023, relating to those debentures, was as follows:

	2024	2023
	June 30	December 31
Balance at the beginning of the year	5,221,201	-
Addition	-	7,625,000
Equity component of convertible debentures	-	(666,241)
Contributed surplus for the warrants	-	(1,952,366)
Balance at inception or beginning of the period	5,221,201	5,006,393
Conversion of debentures	(3,423,738)	-
Interest and accretion of debentures	113,240	214,808
Balance at the end of the period	1,910,702	5,221,201

As at June 30, 2024, \$211,156 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities (December 31, 2023 - \$273,514).

As at June 30, 2024, the balance of convertible debentures funds raised from this issuance recorded in the other current assets was \$5,233,174 (December 31, 2023 - \$5,233,174).

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#### 14 - DEBENTURES (CONTINUED)

##### 14.5 Debenture issuance of September 8, 2023

On September 8, 2023, the Company issued 710 units of convertible debentures to Insiders for gross contractual proceeds of \$710,000 (net proceeds of \$710,000 after related expenses). Each unit sold comprised of \$1,000 face value debentures, maturing on September 8, 2026, bearing interest at a nominal rate of 10% payable monthly, for a total of 2,840,000 purchase warrants, exercisable into Company common shares at \$0.50 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 \$0.25 per common share.

The units contain a "forced warrant conversion" feature under which the debenture will automatically be surrendered and converted into common shares of the Company should the shares of the Company trade at \$5.00 or more for three consecutive trading days.

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 \$64,915 and \$181,218 related to the conversion feature and the warrants issued were recorded in condensed interim consolidated statements of changes in equity as at the date of issuance. The fair value of the liability component of \$463,867 was computed as the present value of future principal and interest, discounted at a rate of 30%.

The movement during the six-month period ended June 30, 2024 and 2023, relating to those debentures, was as follows:

	2024	2023
	June 30	December 31
Balance at the beginning of the year	-	-
Addition	480,543	710,000
Equity component of convertible debentures	-	(64,915)
Contributed surplus for the warrants	-	(181,218)
Balance at inception or beginning of the period	480,543	463,867
Interest and accretion of debentures	29,840	16,675
Balance at the end of the period	510,382	480,543

As at June 30, 2024, \$57,306 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities (December 31, 2023 - \$21,972).

As at June 30, 2024, the balance of subscriptions receivable of convertible debentures from this issuance recorded in the debtors was \$Nil (December 31, 2023 - \$10,000).

As at June 30, 2024, the balance of convertible debentures funds raised from this issuance recorded in the other current assets was \$700,000 (December 31, 2023 - \$700,000).

## TENET FINTECH GROUP INC.

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#### 14 - DEBENTURES (CONTINUED)

##### 14.6 Debenture issuance of February 2, 2024

On February 2, 2024, the Company issued 1,610 units of convertible debentures for gross contractual proceeds of \$1,610,000 (net proceeds of \$1,370,335 after related expenses). Each unit sold comprised of \$1,000 face value debentures, maturing on February 2, 2027, bearing interest at a nominal rate of 10% payable monthly, plus 6,666 purchase warrants, for a total of 10,732,260 purchase warrants, exercisable into Company common shares at \$0.25 per share for a period of 24 months from the date of issuance.

\$150,000 of the total funds raised from the convertible debenture units issued on February 2nd, 2024, was used to repay some bond holders (note 15). In addition, \$1,110,000 of the proceeds of the convertible debenture units was used to repay some of the Company's outstanding promissory notes (note 17).

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 \$0.15 per common share.

The units contain a "forced warrant conversion" feature under which the debenture will automatically be surrendered and converted into common shares of the Company should the shares of the Company trade at \$2.50 or more for three consecutive trading days.

Tenet also granted 112.7 non-transferable broker warrants (the "CD Broker Warrants"), being such number of CD Broker Warrants as is equal to 7.0% of the number of CD Units sold pursuant to the offerings (1,610 units). Each CD Broker Warrant is exercisable to purchase one CD Unit at an exercise price of \$1,000 for a period of two years from the date of its issuance.

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 \$102,505 and \$497,123 related to the conversion feature and the warrants issued were recorded in condensed interim consolidated statements of changes in equity as at the date of issuance. The fair value of the liability component of \$823,488 was computed as the present value of future principal and interest, discounted at a rate of 32%, net of the prorated share of transaction costs.

The movement during the six-month period ended June 30, 2024 and 2023, relating to those debentures, was as follows:

	<b>2024</b>
	June 30
Balance at the beginning of the year	-
Addition	1,610,000
Issuance costs allocated to the debenture component	(186,884)
Conversion component of convertible debenture	(102,505)
Contributed surplus for the warrants	(497,123)
<b>Balance at inception or beginning of the period</b>	<b>823,488</b>
Interest and accretion of debentures	51,168
Amortization of financing issuance costs	25,777
<b>Balance at the end of the period</b>	<b>900,432</b>

As at June 30, 2024, \$54,471 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities.

The fair value of the 112.7 non-transferable broker unit warrants was calculated at \$61,129 and was recorded as issuance costs prorated between the equity and liability components of the convertible debentures. The equivalent opposite amount was recorded in contributed surplus within 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	\$0.125
Expected life	2 years
Risk-free interest rate	4.06%
Expected volatility	132.67%
Dividend	0%
Exercise price at the date of grant (1)	\$0.15 and \$0.25

- (1) Although the exercise price of the non-transferable broker unit warrants are at a nominal value of \$1,000, the fair market value of the broker unit warrants was determined based on the underlying embedded conversion options and warrants of the convertible debentures units having a conversion/exercise price of \$0.15 and \$0.25 respectively. The fair market value of the liability component of the broker unit warrants was deemed as \$Nil because the 10% nominal interest rate of the debentures (exclusively without the conversion options and warrants) is below fair market value.

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

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#### 14 - DEBENTURES (CONTINUED)

##### 14.7 Debenture issuance between February 21 and 26, 2024

Between February 21 and 26, 2024, the Company issued a combined 1,000 units of convertible debentures for gross contractual proceeds of \$1,000,000 (net proceeds of \$924,400 after related expenses). Each unit sold comprised of \$1,000 face value debentures, maturing between February 21 and 26, 2027, bearing interest at a nominal rate of 10% payable monthly, plus 6,666 purchase warrants, for a total of 6,666,000 purchase warrants, exercisable into Company common shares at \$0.25 per share for a period of 24 months from the date of issuance.

\$345,000 of the total funds raised from the convertible debenture units issued, was used to pay for consulting services provided to the Company between October 1, 2023 and January 31, 2024.

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 \$0.15 per common share.

The units contain a "forced warrant conversion" feature under which the debenture will automatically be surrendered and converted into common shares of the Company should the shares of the Company trade at \$2.50 or more for three consecutive trading days.

Tenet also granted 70 non-transferable broker warrants (the "CD Broker Warrants"), being such number of CD Broker Warrants as is equal to 7.0% of the number of CD Units sold pursuant to the offerings (1,000 units). Each CD Broker Warrant is exercisable to purchase one CD Unit at an exercise price of \$1,000 for a period of two years from the date of its issuance.

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 \$63,329 and \$301,143 related to the conversion feature and the warrants issued were recorded in condensed interim consolidated statements of changes in equity. The fair value of the liability component of \$568,768 was computed as the present value of future principal and interest, discounted at a rate of 32%, net of the prorated share of transaction costs.

On June 27, 2024, convertible debentures having a nominal value of \$505,000 were converted into common shares of the Company. At the date of conversion, these debentures had an amortized cost totaling \$300,408. The Company issued 3,366,667 common shares to the debenture holders and recorded \$332,389 in share capital which included the reclassification of the equity component of convertible debentures initially recorded at inception totaling \$31,981.

The movement during the six-month period ended June 30, 2024 and 2023, relating to those debentures, was as follows:

	<b>2024</b>
	June 30
Balance at the beginning of the year	-
Addition	1,000,000
Issuance costs allocated to the debenture component	(66,760)
Conversion component of convertible debenture	(63,329)
Contributed surplus for the warrants	(301,143)
<b>Balance at inception or beginning of the period</b>	<b>568,768</b>
Conversion of debentures	(300,408)
Interest and accretion of debentures	23,818
Amortization of financing issuance costs	6,673
<b>Balance at the end of the period</b>	<b>298,851</b>

As at June 30, 2024, \$34,273 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities.

The fair value of the 70 non-transferable broker unit warrants was calculated at \$35,047 and was recorded as issuance costs prorated between the equity and liability components of the convertible debentures. The equivalent opposite amount was recorded in contributed surplus within 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 (February 21 and 26, 2024)	\$0.13 & \$0.12
Expected life	2 years
Risk-free interest rate	4.23%
Expected volatility	129.45%
Dividend	0%
Exercise price at the date of grant (1)	\$0.15 and \$0.25

- (1) Although the exercise price of the non-transferable broker unit warrants are at a nominal value of \$1,000, the fair market value of the broker unit warrants was determined based on the underlying embedded conversion options and warrants of the convertible debentures units having a conversion/exercise price of \$0.15 and \$0.25 respectively. The fair market value of the liability component of the broker unit warrants was deemed as \$Nil because the 10% nominal interest rate of the debentures (exclusively without the conversion options and warrants) is below fair market value.

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

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#### 14 - DEBENTURES (CONTINUED)

##### 14.8 Debenture issuance of April 16, 2024

On April 16, 2024, the Company issued 2,015 units of convertible debentures for gross contractual proceeds of \$2,015,000 (net proceeds of \$1,897,700 after related expenses). Each unit sold comprised of \$1,000 face value debentures, maturing on April 16, 2027, bearing interest at a nominal rate of 10% payable monthly, plus 6,666 purchase warrants, for a total of 12,165,640 purchase warrants, exercisable into Company common shares at \$0.25 per share for a period of 24 months from the date of issuance. The financing includes 475 convertible debenture units sold to an Officer and Director of the Company with the same terms as the other subscribers except that each CD Unit sold to the officer of Tenet comes with only 4,000 Common Share purchase warrants (the "Insider Warrants") exercisable to acquire one Common Share at an exercise price of \$0.50 instead of \$0.25. In addition, the conversion price of the convertible debentures is at \$0.25 instead of \$0.15.

\$20,000 of the total funds raised from the convertible debenture units issued on April 16, 2024, was used to repay a bond holder (refer to note 15). \$475,000 from the proceeds of the convertible debenture units was also used to repay a portion of advances previously received from a company owned by an Officer and Director of the Company (refer to note 12).

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 \$0.15 per common share.

The units contain a "forced warrant conversion" feature under which the debenture will automatically be surrendered and converted into common shares of the Company should the shares of the Company trade at \$2.50 or more for three consecutive trading days.

Tenet also granted 117.3 non-transferable broker warrants (the "CD Broker Warrants"), being such number of CD Broker Warrants as is equal to 7.0% of the number of CD Units sold pursuant to the offerings (at the exception for the CD units sold to insiders which were subject to a reduced commission of 2%). Each CD Broker Warrant is exercisable to purchase one CD Unit at an exercise price of \$1,000 for a period of two years from the date of its issuance.

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 \$161,743 and \$598,239 related to the conversion feature and the warrants issued were recorded in condensed interim condensed interim consolidated statements of changes in equity as at the date of issuance. The fair value of the liability component of \$1,255,018 was computed as the present value of future principal and interest, discounted at a rate of 32%, net of the prorated share of transaction costs.

The movement during the six-month period ended June 30, 2024 and 2023, relating to those debentures, was as follows:

	<b>2024</b>
	June 30
Balance at the beginning of the year	-
Addition	2,015,000
Issuance costs allocated to the debenture component	(97,549)
Conversion component of convertible debenture	(161,743)
Contributed surplus for the warrants	(598,239)
Balance at inception or beginning of the period	1,157,469
Interest and accretion of debentures	32,669
Amortization of financing issuance costs	6,774
Balance at the end of the period	1,196,912

As at June 30, 2024, \$41,567 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities.

The fair value of the 117.3 non-transferable broker unit warrants was calculated at \$39,768 and was recorded as issuance costs prorated between the equity and liability components of the convertible debentures. The equivalent opposite amount was recorded in contributed surplus within 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	\$0.09
Expected life	2 years
Risk-free interest rate	4.21%
Expected volatility	129.74%
Dividend	0%
Exercise price at the date of grant (1)	\$0.15 and \$0.25

- (1) Although the exercise price of the non-transferable broker unit warrants are at a nominal value of \$1,000, the fair market value of the broker unit warrants was determined based on the underlying embedded conversion options and warrants of the convertible debentures units having a conversion/exercise price of \$0.15 and \$0.25 respectively. The fair market value of the liability component of the broker unit warrants was deemed as \$Nil because the 10% nominal interest rate of the debentures (exclusively without the conversion options and warrants) is below fair market value.

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



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#### 14 - DEBENTURES (CONTINUED)

##### 14.9 Conversion option

	2024	2023
	June 30	December 31
Balance at the beginning of the year	80,080	-
Addition (1)	-	1,530,744
Change in fair value	(75,010)	(742,258)
Conversion of debentures	-	(708,406)
<b>Balance at the end of the period</b>	<b>5,070</b>	<b>80,080</b>
Conversion option, short-term	5,070	46,240
Conversion option, long-term	-	33,840
	5,070	80,080

(1) Following the amendment of the conversion terms of the convertible debentures as mentioned in note 14.1 and 14.2, 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 year ended December 31, 2023. The fair value of the conversion options on April 19, 2023, being the date that the amendment took effect, was \$1,530,744. The fair value of the conversion options on June 30, 2024, was \$5,070 (December 31, 2023 - \$80,080).

The initial fair value of the conversion options at inception was calculated using the Black & Scholes pricing model with the following assumptions:

Amendment date	April 19, 2023
Number of options subject to the amendment	3,550,000
Share price at the date of the amendment	0.59
Risk-free interest rate	3.88%
Volatility (1)	111% - 115%
Dividend	0%
Exercise price at the date of amendment	\$0.25
Vesting period	Not applicable
Expected life	614 to 653 days
<b>Fair value of the amended conversion options</b>	<b>1,530,744</b>

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

#### 15 - BONDS

On May 29, 2020, the Company issued 400 units of secured corporate bonds at \$1,000 per unit. Each unit sold was comprised of a \$1,000 face value bond, 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 are 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, which will be used to pay interest payable on the Bonds. Any interest accrued on such sum will be in favor of the Company. The amount set aside as at June 30, 2024, is \$36,817 (December 31, 2023 - \$23,333) and is presented under Restricted Cash in the condensed interim 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 as at the date of issuance. 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. Interest expense has been accrued as per the initial terms of the bonds, up to the period ended June 30, 2024.

The movement during the six-month period ended June 30, 2024, and the year ended December 31, 2023, relating to these bonds, were as follows:

	2024	2023
	June 30	December 31
Balance at the beginning of the year	400,000	373,547
Accretion on bonds	-	15,629
Amortization of initial costs	-	10,824
Payment (note 14.6 and 14.8)	(170,000)	-
<b>Balance at the end of the period</b>	<b>230,000</b>	<b>400,000</b>

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

On April 20, 2020, the Company applied for and received \$40,000 under the Canada Emergency Business Account (CEBA). Further, on September 1, 2021, through its acquisition of Cubeler, the Company acquired an additional CEBA loan totaling \$60,000. Under this program providing interest-free loans, repaying the balance of the loan on or before January 18, 2024, will result in loan forgiveness of approximately 30% (\$30,000), which was 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 bear interest at 5% and will be repayable on maturity on December 31, 2025. On January 17, 2024, the company repaid \$66,800 of its CEBA loan which resulted in a loan forgiveness of \$20,000. The balance outstanding of the CEBA loan as at June 30, 2024 was \$13,200.

#### 17 - PROMISSORY NOTES PAYABLE

During the fourth quarter of 2023, the Company entered into promissory note loan agreements totaling \$1,410,000 with third party investors at an annual interest rate of 10% and maturing between March 31, 2024 and June 30, 2024. \$1,110,000 out of the total funds raised from the convertible debenture units issued on February 2nd, 2024, was used by the Company to repay some of the promissory notes, plus an additional \$10,000 was similarly repaid on April 18, 2024. During the second quarter of 2024, the Company also entered into promissory note loan agreements totaling \$800,000 with third party investors at an annual interest rate of 10% and maturing between June 29, 2024 and July 29, 2024. The balance outstanding of the promissory notes payable as at June 30, 2024 was \$1,090,000.

#### 18 - LOAN PAYABLE

During the fourth quarter of 2023, the Company entered into a loan agreement totaling \$739,935 with an insurance provider (Directors and Officers insurance) at an effective annual interest rate of 8.97% payable in eleven installments and maturing in October 24, 2024. This loan was a non-cash transaction, directly with the insurance provider.

The balance outstanding of the loan as at June 30, 2024 was \$404,178.

#### 19 - SHAREHOLDERS' EQUITY

##### 19.1 Authorized share capital

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

##### 19.2 Description of the shareholders' equity operations during the six-month period ended June 30, 2024

- a) On January 3, 2024, the company issued 269,814 common shares to the business managers of the Company's subsidiary Steelchain, in accordance with the amended assets purchase and performance agreement of the Steelchain acquisition effective from October 1, 2022. The payment in shares was for the performance based compensation up to September 30, 2023 totalling \$539,628 which was settled in common shares at the minimum price of \$2 per share.
- b) During the period ended June 30, 2024 and as mentioned in note 14.4 and 14.7, convertible debentures having a nominal value of \$5,505,000 and an amortized costs of \$3,724,146 were converted into 23,366,667 common shares. The Company recorded a total of \$4,193,007 in share capital which represents the amortized cost of the debentures and the fair value of the related conversion option initially recorded at inception totalling \$468,861.

##### 19.3 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 \$3,000,000 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 5,856,901 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.

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

**19.4 Warrants**

The outstanding warrants movement as at June 30, 2024 and December 31, 2023 and the respective changes during the year, are summarized as follows:

	June 30, 2024		December 31, 2023	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	55,054,996	0.66	17,748,213	3.22
Granted	29,563,900	0.27	53,937,954	0.56
Expired	-	-	(14,488,313)	3.50
Exercised	-	-	(2,142,858)	0.18
Outstanding and exercisable, end of period	84,618,896	0.52	55,054,996	0.66

As at June 30, 2024, and December 31, 2023, the number of outstanding warrants which could be exercised for an equivalent number of common shares.

Expiration date	June 30, 2024		December 31, 2023	
	Number	Exercise price	Number	Exercise price
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	3,510,000	2.00
January, 2025	221,250	2.00	221,250	2.00
June, 2025	4,291,846	0.16	4,291,846	0.16
August, 2025	10,392,000	0.50	10,392,000	0.50
August, 2025	40,000	0.50	40,000	0.50
August, 2025	30,500,000	0.50	30,500,000	0.50
September, 2025	2,840,000	0.50	2,840,000	0.50
February, 2026	10,732,260	0.25	-	-
February, 2026	4,966,170	0.25	-	-
February, 2026	1,699,830	0.25	-	-
April, 2026	10,265,640	0.25	-	-
April, 2026	1,900,000	0.50	-	-
	84,618,896		55,054,996	

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#### 20 - 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, 2024, and December 31, 2023, are summarized as follows:

	June 30, 2024		December 31, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of year	3,379,098	2.04	3,871,025	2.02
Granted	–	–	27,163	0.95
Expired	(535,000)	1.00	(293,750)	1.00
Forfeited	(29,153)	2.50	(225,340)	2.65
Outstanding at the end of period	2,814,945	2.23	3,379,098	2.04
Exercisable at the end of period	2,784,874	2.24	3,318,669	2.04

(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, 2024.

Maturity date	Range of exercise price	Number of options	Weighted average remaining contractual life (years)
September 5, 2024	1.00	10,000	2 months
November 1, 2024	1.10	50,000	4 months
June 11, 2025	1.00	745,500	11 months
October 28, 2025	1.50	1,075,000	1 years and 3 months
November 6, 2025	2.70	50,000	1 years and 4 months
March 22, 2026	5.50	55,000	1 years and 8 months
July 7, 2026	4.10	700,000	2 years and 0 months
October 28, 2026	11.50	25,000	2 years and 3 months
January 1, 2027	7.50	15,435	2 years and 6 months
February 1, 2027	5.60	4,946	2 years and 7 months
April 1, 2027	4.16	8,865	2 years and 9 months
July 1, 2027	1.65	1,971	3 years and 0 months
August 1, 2027	1.41	24,698	3 years and 1 months
December 1, 2027	0.85-1.1985	21,367	3 years and 5 months
February 1, 2028	0.95	27,163	3 years and 7 months
		2,814,945	

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

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

Maturity date	Range of exercise price	Number of options	Weighted average remaining contractual life (years)
February 2, 2024	1.00	37,500	1 months
May 1, 2024	1.00	50,000	4 months
May 27, 2024	1.00	447,500	4 months
September 5, 2024	1.00	10,000	8 months
November 1, 2024	1.10	50,000	9 months
December 11, 2024	1.00	5,000	10 months
June 11, 2025	1.00	745,500	1 years and 5 months
October 28, 2025	1.50	1,075,000	1 years and 9 months
November 6, 2025	2.70	50,000	1 years and 10 months
March 22, 2026	5.50	55,000	2 years and 2 months
July 7, 2026	4.10	700,000	2 years and 6 months
October 28, 2026	11.50	25,000	2 years and 9 months
January 1, 2027	7.50	18,774	3 years and 0 months
February 1, 2027	5.60	6,093	3 years and 1 months
April 1, 2027	4.16	9,736	3 years and 3 months
May 1, 2027	5.13	2,707	3 years and 4 months
July 1, 2027	1.65	1,971	3 years and 6 months
August 1, 2027	1.41	26,831	3 years and 7 months
October 1, 2027	1.24	4,189	3 years and 9 months
November 1, 2027	1.02	3,023	3 years and 10 months
December 1, 2027	0.85-3.59	28,110	3 years and 11 months
February 1, 2028	0.95	27,163	4 years and 1 months
		3,379,098	

During the six-month period ended June 30, 2024, the Company recorded an \$8,375 related to share-based payments (period ended June 30, 2023 - \$446,368) to the condensed interim consolidated statements of comprehensive profit and loss and contributed surplus. There were no share-based payments granted to directors or employees during the same period.

#### 20.1 Share-based payments granted to directors and employees during current year

There were no share-based payments granted to directors and employees during the six-month period ended June 30, 2024

#### 20.2 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
Number of options granted	27,163
Share price at the date of grant	0.90
Risk-free interest rate	2.93%
Volatility (1)	113%
Dividend	0%
Exercise price at the date of grant	\$0.95
Vesting period	2 years
Expected life	5 years
<b>Fair value of the options granted</b>	<b>19,600</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.

#### 21 - 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 \$34,030,437 as at June 30, 2024 (December 31, 2023 - \$47,882,021).

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

For the six-month periods ended June 30, 2024, and 2023

(In Canadian dollars)

(Unaudited)

#### 22 - FINANCIAL INSTRUMENTS

##### 22.1 Classification of financial instruments

As at June 30, 2024, the carrying amount of financial assets and financial liabilities were as follows:

	June 30, 2024		
	Assets and liabilities carried at fair value	Assets and liabilities carried at amortized cost	Total carrying value
<b>Financial assets</b>			
Cash	–	422,880	422,880
Restricted Cash	–	36,817	36,817
Debtors	–	12,586,736	12,586,736
Deposits made for transactions on platforms	–	15,246,698	15,246,698
Loans receivable	–	17,023,434	17,023,434
Deposit	–	83,833	83,833
Other equity investments	1,196,340	–	1,196,340
Other current assets	–	7,733,174	7,733,174
	1,196,340	53,133,572	54,329,912
<b>Financial liabilities</b>			
Accounts payable, advances and accrued liabilities	–	18,327,704	18,327,704
Bonds	–	230,000	230,000
CEBA Loan	–	13,200	13,200
Debentures	–	7,707,702	7,707,702
Conversion option	5,070	–	5,070
Contingent consideration payable	888,841	–	888,841
Promissory note payable	–	1,090,000	1,090,000
Loan payable	–	404,178	404,178
	893,911	27,772,784	28,666,695

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

	December 31, 2023		
	Assets and liabilities carried at fair value	Assets and liabilities carried at amortized cost	Total carrying value
<b>Financial assets</b>			
Cash	–	1,191,558	1,191,558
Restricted Cash	–	23,333	23,333
Debtors	–	12,929,130	12,929,130
Deposits made for transactions on platforms	–	21,452,475	21,452,475
Loans receivable	–	16,727,876	16,727,876
Deposit	–	81,304	81,304
Other equity investments	1,183,005	–	1,183,005
Other current assets	–	7,733,174	7,733,174
	1,183,005	60,138,850	61,321,855
<b>Financial liabilities</b>			
Accounts payable, advances and accrued liabilities	–	13,842,992	13,842,992
Bonds	–	400,000	400,000
CEBA Loan	–	100,000	100,000
Debentures	–	8,385,793	8,385,793
Conversion option	80,080	–	80,080
Contingent consideration payable	1,271,905	–	1,271,905
Promissory note payable	–	1,410,000	1,410,000
Loan payable	–	675,145	675,145
	1,351,985	24,813,930	26,165,915

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 22 - FINANCIAL INSTRUMENTS (CONTINUED)

##### 22.2 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, 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.

##### 22.3 Financial risks

###### 22.3.1 Credit & Liquidity risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. Credit risk for the Company is mostly on Loans receivable, Debtors and Deposits made for transactions on platform (refer to note 6.1 & 6.2). The credit risk is not significant for other financial instruments.

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, 2024		
	Current		Long-term
	Within 6 months	6 to 12 months	More than 12 months
Accounts payable, advances and accrued liabilities	18,327,704	-	-
Bonds	266,817	-	-
Contingent consideration payable	420,000	442,000	221,000
CEBA loan	13,200	-	-
Debentures	-	1,150,000	10,053,000
Promissory note payable	1,090,000	-	-
Loan payable	404,178	-	-
	20,521,899	1,592,000	10,274,000

  

	December 31, 2023		
	Current		Long-term
	Within 6 months	6 to 12 months	More than 12 months
Accounts payable, advances and accrued liabilities	13,842,992	-	-
Bonds	423,333	-	-
Contingent consideration payable	421,000	421,000	663,000
CEBA loan	100,000	-	-
Debentures	-	680,000	11,403,000
Promissory note payable	1,410,000	-	-
Loan payable	399,039	276,106	-
	16,596,364	1,377,106	12,066,000

##### 22.4 Finance costs

The breakdown of finance costs during the six-month period ended June 30, 2024 and 2023 is as follows:

	2024	2023	2024	2023
	June 30 Three-month	June 30 Three-month	June 30 Six-month	June 30 Six-month
Interest on lease liabilities (note 13)	72,766	78,253	146,627	134,805
Interest on debentures and bonds	96,831	101,396	325,809	224,501
Interest on advances	5,752	-	5,752	-
Interest on finance lease	(1,235)	-	(1,235)	-
Accretion on debentures and bonds	251,576	20,043	435,247	180,135
Interest on debentures relinquished (note 14.4)	192,876	-	-	-
Interest, loan payable	9,215	-	22,888	-
Interest, promissory note payable	17,106	-	33,258	-
Total interest expense	644,887	199,692	968,346	539,441
Interest income	(5,405)	(6,368)	(11,591)	(15,810)
Miscellaneous	45,028	22,334	58,761	27,262
Total Finance costs	684,510	215,658	1,015,516	550,893

## TENET FINTECH GROUP INC.

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#### 22 - FINANCIAL INSTRUMENTS (CONTINUED)

##### 22.5 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), short and long term deposits made for transactions on platforms, deposits, other current assets, 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, promissory note payable and loan payable are recognized at its cost which approximate its fair value;
- The fair value of contingent consideration payable related to the acquisition of Steelchain (note 4.1) 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 estimate of the assets & liabilities as at the date of reporting.
- The fair value of conversion options is determined using the Black & Scholes and Binomial pricing models.

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, conversion option and contingent consideration payable are level 3 under the fair value hierarchy.

#### 23 - 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 COO (started on August 28, 2023), the CEO of the China operations and the members of the Board. Their remuneration includes the following expenses:

	2024 June 30 <i>Three-month</i>	2023 June 30 <i>Three-month</i>	2024 June 30 <i>Six-month</i>	2023 June 30 <i>Six-month</i>
Salaries and fringe benefits	467,746	376,264	935,461	755,521
Share-based payments	-	132,828	-	269,116
	<u>467,746</u>	<u>509,093</u>	<u>935,461</u>	<u>1,024,637</u>

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

As at June 30, 2024, and 2023 the condensed interim consolidated statements of financial position includes the following amounts with related parties:

	2024 June 30	2023 December 31
Promissory notes, with interest (1)	222,581	216,102
Advances paid to a Director, no interest (2)	10,000	10,000
Other current assets, no interest (3)	2,500,000	2,500,000
Debtors, subscriptions receivable of convertible debentures, no interest (note 6.1 and 14.5)	-	10,000
Total amounts owed to the Company by related parties	<u>2,732,581</u>	<u>2,736,102</u>
Advances received from a company owned by a Director, no interest (4)	689,159	917,742
Debentures, with interest (3)	2,264,105	1,777,410
Debentures, interest payable (5)	251,135	106,041
Total amount owed to related parties by the Company	<u>3,204,399</u>	<u>2,801,193</u>

- (1) On December 15, 2021 and June 3, 2022, loans were issued to two board members of the Company in the amounts of \$72,793 and \$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, 2024, the aggregate outstanding principal amount due for said loans is \$222,518 (December 31, 2023 - \$216,102). As the loans have expired, the Company is still in the process of negotiating repayment terms to be agreed with each current board member. The loans are recorded in debtors within the condensed interim consolidated statements of financial position.



## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 23 - RELATED PARTY TRANSACTIONS (CONTINUED)

- (2) On August 18, 2023, a temporary advance was issued to a Director in the amount of \$10,000 for business travel purposes. The advance is recorded in prepaid expenses within the condensed interim consolidated statements of financial position.
- (3) On August 1, 2023, the Company sold 2,598 units of convertible debentures (including 2,000 units to related parties at the time of the closing date) for gross proceeds of \$2,598,000 (including \$2,000,000 to related parties) as described in note 14.4. On September 8, 2023, the Company sold another 710 units of convertible debentures to related parties for gross proceeds of \$710,000 as described in note 14.5. As at December 31, 2023, out of the total \$2,710,000 of convertible debentures sold to related parties, \$200,000 were collected by the Company in Canada during 2023 and \$2,500,000 are recorded in other current assets (note 7). On April 16, 2024, the Company sold 2,015 units of convertible debentures (including 475 units to related parties at the time of the closing date) for gross proceeds of \$2,015,000 (including \$475,000 to related parties) as described in note 14.8. The \$475,000 worth of units were given as an exchange for advances previously received from a company owned by a Officer and Director of the Company in order to partially repay the balance owed to him by the Company (refer to note 12). The amortized cost of the debentures due to related parties (including subscribers that became related parties after the closing date) totalling \$1,264,105 are recorded in Debentures (note 14). During the six-month period ended June 30, 2024, no interest were paid or received by the Company to related parties for debentures.
- (4) During the course of 2023 and the six-month period ended June 30, 2024, a Company owned by a Director of the Company, made a series of short-term loans to Asia Synergy Holding Inc. ("ASH"), a wholly owned subsidiary of the Company. The balance of the net advances received from a Company owned by a Director at no interest as at June 30, 2024 is \$689,159 (December 31, 2023 - \$917,742) and bears no interest given the fact that only licensed lenders are allowed to charge interest on loans granted to corporative borrowers as per the laws in mainland China. The advances received from a company owned by a Director is recorded in accounts payable, advances and accrued liabilities (note 12).
- (5) As at June 30, 2024, \$251,135 of debentures, interest payable due to related parties are recorded in accounts payable, advances and accrued liabilities (note 12).

#### 24 - 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.

##### **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.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

#### 24 - SEGMENT REPORTING (CONTINUED)

The segment information for the six-month periods ended June 30, 2024, and 2023, are as follows:

	Six-month period ended June 30, 2024				
	Fintech Platform	Financial Services	Other	Elimination	Total
<b>Revenues (1)</b>					
Financial service revenue from external customers	-	214,116	-	-	214,116
Fees and sales from external customers	849,613	239,609	-	-	1,089,222
Supply chain services	159,093	-	-	-	159,093
Other rental income from a sublease	-	-	17,147	-	17,147
Inter-segment	2,344,868	-	533,077	(2,877,945)	-
<b>Total revenues</b>	<b>3,353,574</b>	<b>453,725</b>	<b>550,224</b>	<b>(2,877,945)</b>	<b>1,479,578</b>
<b>Expenses</b>					
Depreciation and amortization	3,962,805	37,543	165,829	-	4,166,177
Finance costs	52,608	13,616	949,292	-	1,015,516
Expected credit loss	7,440,313	123,195	-	-	7,563,508
Change in fair value of contingent consideration	(383,064)	-	-	-	(383,064)
Change in fair value of debentures conversion options	-	-	(75,010)	-	(75,010)
Cost of service, supply chain	31,546	-	-	-	31,546
Forgiveness of CEBA loan	(20,000)	-	-	-	(20,000)
Loss on sublease	158,203	-	-	-	158,203
Gain on disposition of property and equipment	(12,797)	-	-	-	(12,797)
All other expenses	5,276,291	466,575	5,027,198	(2,877,945)	7,892,119
<b>Total expenses</b>	<b>16,505,905</b>	<b>640,929</b>	<b>6,067,309</b>	<b>(2,877,945)</b>	<b>20,336,198</b>
Profit (loss) before tax	(13,152,331)	(187,204)	(5,517,085)	-	(18,856,620)
Income tax (recovery)	-	9,044	-	-	9,044
<b>Net profit (loss)</b>	<b>(13,152,331)</b>	<b>(196,248)</b>	<b>(5,517,085)</b>	<b>-</b>	<b>(18,865,664)</b>
Non-controlling interest	(953,020)	(48,309)	-	-	(1,001,329)
Net profit (loss) attributable to:					
Owners of the parent	(12,199,311)	(147,939)	(5,517,085)	-	(17,864,335)
<b>Segmented assets</b>	<b>30,991,108</b>	<b>18,912,704</b>	<b>20,851,651</b>	<b>-</b>	<b>70,755,463</b>

(1) Revenues from external customers have been identified on the basis of the customer's geographical location, which is China except for the other rental income from a sublease which is in Canada.

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

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

## TENET FINTECH GROUP INC.

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#### 24 - SEGMENT REPORTING (CONTINUED)

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

	<b>2024</b>	<b>2023</b>
	June 30	December 31
	Non-current Assets	Non-current Assets
China	19,960,105	28,836,960
Canada	1,294,340	1,628,393
	<b>21,254,445</b>	<b>30,465,353</b>

#### 25 - NON-CONTROLLING INTERESTS

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

Entities	<b>2024</b>	<b>2023</b>
	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 Xinhuzhi 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	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	June 30	June 30	June 30	December 31
Asia Synergy Supply Chain Ltd. ("ASSC")	(606,712)	(367,007)	703,436	1,310,148
Asia Synergy Financial Capital Ltd. ("ASFC")	(163,221)	(306,156)	11,626,225	11,789,447
Wechain (Nanjing) Technology Service Co., Ltd. ("WECHAIN")	(144,270)	(180,589)	14,246	158,515
Kailifeng New Energy Technology Co., Ltd. ("KALIFENG")	(215,372)	(232,699)	249,483	464,854
Shanghai Xinhuzhi Supply Chain Management Ltd. ("ASAC")	2,373	108	(2,258)	(4,630)
Jiangsu Supairui IOT Technology Co., Ltd. ("ASTH") (1)	(16,865)	(59,530)	(78,771)	(61,906)
	<b>(1,144,067)</b>	<b>(1,145,873)</b>	<b>12,512,361</b>	<b>13,656,428</b>

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

No dividends were paid to NCIs during the six-month period ended June 30, 2024, and 2023.



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

During the six-month periods ended June 30, 2024, and 2023 the Company subsidiary, AST along with the non-controlling interests of KALIFENG, 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 \$Nil in KALIFENG (June 30, 2023 - \$140,038). As at June 30, 2024 the amount of the NCI's portion of the capital injection agreed for these NCI's that was outstanding was \$1,303,415 (December 31, 2023 - \$1,291,770).

#### **26 - 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 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.

#### **27 - ECONOMIC DEPENDANCE**

The Company generates the majority of its revenues from three customers and partners with one financial institution for capital support when leveraging the Deposits made for transactions on platforms (refer to note 6.2). Should these customers or financial institution substantially change its dealings with the Company, management is of the opinion that revenues would be significantly impacted and continued viable operations would be doubtful.

#### **28 - 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 period.

In the comparative condensed interim consolidated statements of comprehensive profit and loss for the six-month period ended June 30, 2023, the Company reclassified \$404,185, from salaries and fringe benefits to outsourced services, software and maintenance to better reflect the underlying nature of the expenses.

#### **29 - SUBSEQUENT EVENTS**

##### **29.1 Credit Facility**

On July 22, 2024, the Company announced that it has secured a credit facility of up to \$5M, allowing the Company drawdown up to \$5M over a twelve-month period by sending drawdown notices to the lender. No drawdown notice can exceed \$0.5M and there must be at least five business days between each drawdown notice. The Company will pay the lender interest at an annual rate of 10% on any amount drawn from the Credit Facility and will have up to twenty-four months from the date of the drawdown notice to repay the amount advanced by the lender. For each dollar advanced under the terms of the agreement, the lender will receive one warrant to purchase one common share of the Company at the greater of \$0.25 or the price that represents a 25% premium to the Company's share price at the time of issuance of the drawdown notice. The Credit Facility is guaranteed by assets pledged by a collection of the Company shareholders in a separate collateral agreement between the lender and the shareholders. As at August 29, 2024, the Company has received drawdown for a total of \$600,000.

##### **29.2 Short-Term advances**

From July 1, 2024 to August 29, 2024, the Company repaid the short-term advances from third party investors totalling \$325,000 in cash. As at August 29, 2024, the balance of the short-term advances from third party investors is \$225,000.

##### **29.3 Promissory notes payable**

From July 1, 2024 to August 29, 2024, the Company entered into short-term loan agreements totaling \$855,000 with third party investors and a Director at an interest rate of 10% and maturing between October 16, 2024 and November 20, 2024.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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#### **29 - SUBSEQUENT EVENTS (CONTINUED)**

##### **29.4 Kailifeng's new minority shareholder**

On June 3, 2024, the Company subsidiary Kailifeng New Energy Technology Co., Ltd. ("KALIFENG") introduced a new shareholder. On July 5, 2024, the new shareholder injected \$753,600 capital as the form of cash into KALIFENG according to a third-party capital increase agreement. After the capital injection, the new third party shareholder became the new minority shareholder of KALIFENG owing 16.67% of its shares. The registered capital of KALIFENG increased from \$3,768,000 to \$4,521,600. The Company subsidiary Asia Synergy Technologies Ltd. ("AST") as a shareholder of KALIFENG will see its share percentage drop from previously 51% to 42.5% following the capital injection.

##### **29.5 Shares issuance**

Between July 22, 2024, and August 12, 2024, the Company issued a total of 18M shares as payment to consultants and services providers for a total of \$1.1M worth of debt.