

# Tenet Fintech Group Inc.

## Condensed Interim Consolidated Financial Statements (Unaudited) For the three-month periods ended March 31, 2024, and 2023



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

For the three-month periods ended March 31, 2024, and 2023

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

(Unaudited)

	Note	Three-month periods ended	
		March 31	
		2024	2023
<b>Revenues</b>		765,635	9,493,804
<b>Expenses</b>			
Cost of service		9,402	5,968,713
Software delivery services		3,457	764,205
Salaries and fringe benefits		1,671,053	4,056,509
Service fees		246,707	1,126,261
Board remuneration		37,500	95,992
Consulting fees		147,506	26,510
Outsourced services, software and maintenance		455,880	1,268,800
Professional fees		587,460	728,978
Marketing, public relations and press releases		127,685	379,145
Office supplies, software and hardware		129,694	409,155
Lease expenses		89,315	47,777
Insurance		212,756	348,886
Finance costs	22.4	331,006	335,235
Expected credit loss	5-6	54,123	21,701
Travel and entertainment		29,008	62,211
Stock exchange and transfer agent costs		17,336	32,341
Translation cost and others		8,639	11,132
Depreciation of property and equipment	8	35,266	26,718
Depreciation of right-of-use assets	8	108,611	198,748
Amortization of intangible assets	11	1,918,183	2,094,690
Amortization of financing issuance costs	14	23,180	51,535
Change in fair value of contingent consideration payable	4.1	(183,564)	75,820
Change in fair value of debentures conversion options	14.8	(52,220)	-
Loss on investment in associate company	9	-	18,029
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		38,364	20,182
		6,171,753	18,169,273
Loss before income taxes		(5,406,118)	(8,675,469)
Income taxes		7,999	29,216
Net loss		(5,414,117)	(8,704,685)
Net loss attributable to :			
Non-controlling interest	25	(225,011)	(269,528)
Owners of the parent		(5,189,106)	(8,435,157)
		(5,414,117)	(8,704,685)
<b>Item that will be reclassified subsequently to profit or loss</b>			
Currency translation adjustment		(577,657)	127,433
<b>Total comprehensive loss</b>		(5,991,774)	(8,577,252)
<b>Total comprehensive loss attributable to:</b>			
Non-controlling interest	25	(385,696)	(285,190)
Owners of the parent		(5,606,078)	(8,292,062)
		(5,991,774)	(8,577,252)
Weighted average number of outstanding shares		143,136,674	99,544,183
Basic and diluted loss per share		(0.036)	(0.085)

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 three-month periods ended March 31, 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	-	-	-	798,266	165,834	-	-	964,100	-	964,100
Issuance costs - equity component of convertible debentures	14	-	-	-	(123,585)	(25,612)	-	-	(149,197)	-	(149,197)
Issuance of non-transferable broker warrants	14.6-14.7	-	-	-	96,176	-	-	-	96,176	-	96,176
Conversion of debentures	14-19.2	20,000,000	3,860,618	-	-	(436,880)	-	-	3,423,738	-	3,423,738
Share-based compensation	20	-	-	-	4,734	-	-	-	4,734	-	4,734
Payment of contingent consideration	4.1	269,814	539,628	(539,628)	-	-	-	-	-	-	-
Transactions with owners		144,031,559	222,326,328	181,661	27,208,231	815,414	(1,606,808)	(210,359,682)	38,565,144	13,656,428	52,221,572
Net loss		-	-	-	-	-	-	(5,189,106)	(5,189,106)	(225,011)	(5,414,117)
Other comprehensive loss		-	-	-	-	-	(416,972)	-	(416,972)	(160,685)	(577,657)
Total comprehensive loss for the period		-	-	-	-	-	(416,972)	(5,189,106)	(5,606,078)	(385,696)	(5,991,774)
<b>Balance as at March 31, 2024</b>		144,031,559	222,326,328	181,661	27,208,231	815,414	(2,023,780)	(215,548,788)	32,959,066	13,270,732	46,229,798

	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
Equity component of convertible debentures	14	-	-	-	504,901	353,172	-	-	858,073	-	858,073
Issuance costs - equity component of convertible debentures	14	-	-	-	(44,201)	(30,918)	-	-	(75,119)	-	(75,119)
Deferred tax - equity component of convertible debentures		-	-	-	(110,372)	(77,204)	-	-	(187,576)	-	(187,576)
Issuance of broker compensation warrants	14	-	-	-	77,632	-	-	-	77,632	-	77,632
Share-based compensation	20	-	-	-	222,421	-	-	-	222,421	-	222,421
Subscription for shares by non-controlling interests	25	-	-	-	-	-	-	-	-	56,797	56,797
Transactions with owners		99,544,183	211,232,131	-	24,007,350	466,515	625,212	(133,089,887)	103,241,321	15,318,775	118,560,096
Net loss		-	-	-	-	-	-	(8,435,157)	(8,435,157)	(269,528)	(8,704,685)
Other comprehensive profit (loss)		-	-	-	-	-	143,095	-	143,095	(15,662)	127,433
Total comprehensive profit (loss) for the period		-	-	-	-	-	143,095	(8,435,157)	(8,292,062)	(285,190)	(8,577,252)
<b>Balance as at March 31, 2023</b>		99,544,183	211,232,131	-	24,007,350	466,515	768,307	(141,525,044)	94,949,259	15,033,585	109,982,844

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

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

For the three-month periods ended March 31, 2024, and 2023

(In Canadian dollars)

(Unaudited)

	Note	Three-month periods ended	
		March 31	
		2024	2023
<b>OPERATING ACTIVITIES</b>			
Net loss		(5,414,117)	(8,704,685)
Non-cash items			
Expected credit loss	5-6	54,123	21,701
Depreciation of property and equipment	8	35,266	26,718
Depreciation of right-of-use assets	8	108,611	198,748
Amortization of intangible assets	11	1,918,183	2,094,690
Amortization of financing issuance costs	14	23,180	51,535
Accretion on debentures and bonds	14	183,671	160,092
Accretion of lease interest	13	73,861	56,552
Interest income on deposit		(1,255)	(1,180)
Change in fair value of contingent consideration payable	4.1	(183,564)	75,820
Change in fair value of debentures conversion options	14.8	(52,220)	-
Share-based compensation	20	4,734	222,421
Deferred tax assets and liabilities		-	(16,161)
Loss on investment in associate company	9	-	18,029
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	(32,173)	299,067
Deposits made for transactions on platforms, long term	6.2	(62,260)	-
Net changes in working capital items			
Restricted cash		(7,667)	10,000
Income tax payable		(15,183)	(67,338)
Accounts receivable	6.1	(192,081)	(1,161,840)
Deposits made for transactions on platforms, short term	6.2	(80,180)	598,334
Finance lease receivable	10	1,213	-
Prepayments to third party subcontractors	6.1	(82,703)	1,926,553
Other debtors	6.1	56,120	125,386
Loans receivable maturing in less than 12 months	5	(425,945)	(306,111)
Assets held for sale		(1,591)	6,177
Other prepaid expenses		186,537	491,841
Trade accounts payable and accruals	12	3,019,881	2,889,039
Interest payable on debentures	12	(38,158)	-
Advances from third-party customers	12	298	(674,218)
Contract liabilities with third-party customers	12	173,094	(151,699)
Cash flows from operating activities		(624,919)	(1,810,529)
<b>INVESTING ACTIVITIES</b>			
Investments	9	-	(492,500)
Property and equipment - Addition		-	(741,477)
Property and equipment - Disposal	8	33,962	-
Intangible assets - additions	11	(403,555)	(2,487,360)
Cash flows from investing activities		(369,593)	(3,721,337)
<b>FINANCING ACTIVITIES</b>			
Advances received from a company owned by a Director	12-23	235,890	-
Repayment of lease liabilities	13	(63,568)	(127,490)
Repayment of loan payable	18	(131,037)	-
Repayment of CEBA loan	16	(66,800)	-
Proceeds from the issuance of convertible debentures and warrants	14	699,735	5,290,350
Cash flows from financing activities		674,220	5,162,860
<b>IMPACT OF FOREIGN EXCHANGE</b>		(708,826)	61,996
<b>Net decrease in cash</b>		(1,029,118)	(307,010)
Cash, beginning of the period		1,191,558	3,223,370
Cash, end of the period		162,440	2,916,360

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

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

As at March 31, 2024 and December 31, 2023

(In Canadian dollars)

(Unaudited)

	Note	As at March 31, 2024	As at December 31, 2023
<b>ASSETS</b>			
Current			
Cash		162,440	1,191,558
Restricted cash	15	31,000	23,333
Loans receivable	5	16,933,298	16,507,353
Assets held for sale		213,429	211,838
Debtors	6.1	14,287,489	14,067,180
Deposits made for transactions on platforms	6.2	10,749,941	10,669,761
Finance lease receivable	10	15,824	-
Prepaid expenses		866,633	1,053,170
Other current assets	7	7,733,174	7,733,174
		50,993,228	51,457,367
Loans receivable	5	198,573	220,523
Deposits made for transactions on platforms	6.2	10,844,974	10,782,714
Finance lease receivable	10	83,943	-
Deposit		82,559	81,304
Property and equipment	8	3,091,935	3,509,324
Investments	9	1,191,895	1,183,005
Intangible assets	11	13,285,577	14,688,483
		79,772,684	81,922,720
<b>LIABILITIES</b>			
Current			
Accounts payable, advances and accrued liabilities	12	18,152,184	15,114,779
Lease liabilities	13	303,130	309,000
Bonds	15	250,000	400,000
CEBA Loan	16	13,200	100,000
Promissory note payable	17	300,000	1,410,000
Loan payable	18	544,108	675,145
Debentures	14	971,658	563,388
Conversion option	14	27,860	46,240
Contingent consideration payable	4.1	752,420	757,486
Current tax liabilities		2,168,867	2,184,050
		23,483,427	21,560,088
Debentures	14	5,589,501	7,822,405
Conversion option	14	-	33,840
Lease liabilities	13	2,502,926	2,478,836
Foreign deferred tax liability		1,631,111	1,631,111
Contingent consideration payable	4.1	335,921	514,419
		33,542,886	34,040,699
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	19	222,326,328	217,926,082
Shares to be issued	4.1	181,661	721,289
Contributed surplus		27,208,231	26,432,640
Equity component of convertible debentures	14	815,414	1,112,072
Accumulated other comprehensive income (loss)		(2,023,780)	(1,606,808)
Deficit		(215,548,788)	(210,359,682)
Shareholders' equity attributable to owners of the parent		32,959,066	34,225,593
Non-controlling interest	25	13,270,732	13,656,428
Total shareholders' equity		46,229,798	47,882,021
		79,772,684	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 three-month periods ended March 31, 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 (OTCQX) 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 quarter 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 \$5,414,117 for the three-month period ended March 31, 2024 (March 31, 2023 - \$8,704,685), it has an accumulated deficit of \$215,548,788 as at March 31, 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 three-month period ended March 31, 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 three-month periods ended March 31, 2024, and 2023 were approved and authorized for the issue by the Board of Directors on May 30, 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 three-month periods ended March 31, 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 three-month periods ended March 31, 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 March 31, 2024, the Company revalued the contingent consideration payable related to the Steelchain acquisition resulting in a gain of \$183,564 (March 31, 2023 - a loss of \$75,820) which was recorded in the condensed interim consolidated statements of comprehensive profit and loss. The value of the contingent consideration payable was estimated at \$1,088,341 (December 31, 2023 - \$1,271,905) for the Steelchain acquisition. For the period ended March 31, 2024, the Company will pay a contingent consideration amounting to \$Nil.

The movement during the three-month period ended March 31, 2024 and 2023, relating to the contingent consideration payable, were as follows:

	2024 March 31	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	(183,564)	110,984
<b>Balance at the end of the period</b>	<b>1,088,341</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 March 31	2023 December 31
Principal balance loans receivable	17,744,325	17,286,207
Less expected credit loss (ECL)	(612,454)	(558,331)
<b>Loans receivable net</b>	<b>17,131,871</b>	<b>16,727,876</b>
Loans receivable maturing in less than 12 months	16,933,298	16,507,353
Loans receivable maturing in more than 12 months	198,573	220,523
	17,131,871	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.



## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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

##### Credit quality of loans

The following table presents the gross carrying amount of loans receivable as at March 31, 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%		67.5%	1.0%	2.0%
		<b>Gross Carrying Amount</b>	<b>Allowance for Credit Loss</b>	<b>Net Carrying Amount</b>
<b>March 31, 2024</b>	<b>%</b>			
Stage 1: Not overdue <= 30 Days	94.0%	16,685,449	(3,328)	16,682,121
Stage 2: Overdue 30-90 days	0.2%	43,198	(130)	43,068
Stage 3: Overdue > 90 days	5.7%	1,015,678	(608,996)	406,682
	100.0%	17,744,325	(612,454)	17,131,871
		<b>Gross Carrying Amount</b>	<b>Allowance for Credit Loss</b>	<b>Net Carrying Amount</b>
<b>December 31, 2023</b>	<b>%</b>			
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 March 31, 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	-	-	(9,095)	(9,095)
Net remeasurement	-	-	58,814	58,814
Foreign exchange and other	-	-	4,301	4,301
<b>Loss allowance as at March 31, 2024</b>	-	-	607,848	607,848
	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	(2)	-	(130)	(132)
Net remeasurement	-	126	-	126
Transfers				
- to lifetime ECL performing	(4)	4	-	-
Foreign exchange and other	-	-	10	10
<b>Loss allowance as at March 31, 2024</b>	9	130	1,148	1,287
	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	75	-	-	75
Foreign exchange and other	24	-	-	24
<b>Loss allowance as at March 31, 2024</b>	3,319	-	-	3,319

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2024, and 2023

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#### 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
	March 31	December 31	December 31
Sales tax receivable	1,020,937		1,138,050
Advances to companies	382,792		325,038
Accounts receivable	9,335,581		9,143,500
Subscriptions receivable from non-controlling interests (note 25)	1,303,415		1,291,770
Promissory notes (1)	219,341		216,102
Subscriptions receivable of convertible debentures (note 14.5)	–		10,000
Prepayments to third party subcontractors (2)	2,025,423		1,942,720
	14,287,489		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 March 31, 2024, the aggregate outstanding principal amount due for said loans is \$219,341 (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.

## TENET FINTECH GROUP INC.

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

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

	2024	2023
	March 31	December 31
Deposits made for transactions on platforms with guarantee (1)	24,571,726	24,388,453
Deposits made for transactions on platforms	478,635	493,695
Deposits made for transactions on platforms before expected credit loss	25,050,361	24,882,148
Less expected credit loss (ECL)	(3,455,446)	(3,429,673)
Deposits made for transactions on platforms after expected credit loss	21,594,915	21,452,475
Deposits made for transactions on platforms, short-term	10,749,941	10,669,761
Deposits made for transactions on platforms, long-term	10,844,974	10,782,714
	21,594,915	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 March 31, 2024, an expense of \$Nil (March 31, 2023 - a recovery of \$2,878) was recorded as expected credit loss in the condensed interim consolidated statements of comprehensive profit and loss.

##### 7 - OTHER CURRENT ASSETS

	2024	2023
	March 31	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 March 31, 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 March 31, 2024.

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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(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)	(10,887)	–	(23,494)	(443,618)
<b>Balance as at March 31, 2024</b>	<b>4,962,373</b>	<b>686,036</b>	<b>405,059</b>	<b>191,969</b>	<b>6,245,437</b>
<b>Accumulated amortization</b>					
Balance as at January 1, 2023	2,703,747	256,500	28,705	190,779	3,179,731
Depreciation	108,611	25,104	9,568	594	143,877
Disposals	(150,054)	(3,706)	–	(9,510)	(163,270)
Exchange differences	(7,287)	(121)	–	572	(6,836)
<b>Balance as at March 31, 2024</b>	<b>2,655,017</b>	<b>277,777</b>	<b>38,273</b>	<b>182,435</b>	<b>3,153,502</b>
<b>Net carrying amount as at March 31, 2024</b>	<b>2,307,356</b>	<b>408,259</b>	<b>366,786</b>	<b>9,534</b>	<b>3,091,935</b>

During the first quarter 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 March 31	2023 December 31
Associate company (1)	–	–
Other equity investments (2,3)	1,191,895	1,183,005
	<b>1,191,895</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 three-month period ended March 31, 2024, Tenet recognized \$Nil as a loss on investment in associate company (March 31, 2023 - a loss of \$18,029) 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 \$253,395 as at March 31, 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 \$938,500 as at March 31, 2024 (December 31, 2023 - \$931,500).

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

	2024 March 31	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	8,890	(78,015)
<b>Balance at the end of the period</b>	<b>1,191,895</b>	<b>1,183,005</b>

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

For the three-month periods ended March 31, 2024, and 2023

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(Unaudited)

**10 - FINANCE LEASE RECEIVABLE**

	<b>2024</b>
	March 31
Balance at the beginning of the year	-
Additions	100,980
Rental payments received	(1,213)
<b>Balance at the end of the period</b>	<b>99,767</b>
Current Portion	15,824
Non-current Portion	83,943

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 March 31, 2024.

The Company's undiscounted lease payment to be received as at March 31, 2024 were as follows:

As at March 31, 2024	Payments to be received by period			
	1 year	2 - 5 years	Beyond 5 years	Total
Lease payments to be received	20,555	88,724	-	109,279

The total unearned finance income up to the end of the sublease term is \$9,512.

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 March 31, 2024.

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#### 11 - INTANGIBLE ASSETS

The carrying value of the intangible assets as at March 31, 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	–	202,716	52,556	–	148,283	–	–	403,555
<b>Balance as at March 31, 2024</b>	<b>1,430,000</b>	<b>19,316,717</b>	<b>2,650,402</b>	<b>24,924,238</b>	<b>6,625,912</b>	<b>10,501,156</b>	<b>5,287,000</b>	<b>70,735,425</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	35,750	1,164,586	127,472	–	410,349	179,901	125	1,918,183
Exchange differences	–	(73,602)	(7,043)	–	(18,397)	(12,680)	–	(111,722)
<b>Balance as at March 31, 2024</b>	<b>750,750</b>	<b>10,914,787</b>	<b>1,813,027</b>	<b>24,924,238</b>	<b>4,136,376</b>	<b>9,626,377</b>	<b>5,284,293</b>	<b>57,449,848</b>
<b>Net carrying amount as at March 31, 2024</b>	<b>679,250</b>	<b>8,401,930</b>	<b>837,375</b>	<b>–</b>	<b>2,489,536</b>	<b>874,779</b>	<b>2,707</b>	<b>13,285,577</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.

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

	2024	2023
	March 31	December 31
Trade accounts payable and accruals	12,759,261	10,111,460
Advances received from a company owned by a Director, no interest (1)	1,153,632	917,742
Advances from third-party customers, no interest	39,832	39,534
Contract liabilities with third-party customers, no interest (2,3)	2,192,498	2,019,404
Interest payable on debentures (note 14)	356,481	394,639
Provision for legal settlement (note 29.3)	1,650,480	1,632,000
	<u>18,152,184</u>	<u>15,114,779</u>

(1) During the course of 2023 and the three-month period ended March 31, 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 March 31, 2024 is \$1,153,632 (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	2023
	March 31	December 31
Balance at the beginning of the year	2,019,404	4,488,857
Increase in contract liabilities during the period	195,080	31,095,212
Revenue recognized for balances included in Contract liabilities Balance at the beginning of the period	(28,054)	(2,386,304)
Revenue recognized for Contract liabilities originated during the period	(9,210)	(30,937,481)
Other	80	(12,632)
Exchange differences	15,196	(228,248)
Balance at the end of the period	<u>2,192,498</u>	<u>2,019,404</u>

#### 13 - LEASE LIABILITIES

	2024	2023
	March 31	December 31
Balance at the beginning of the year	2,787,836	3,116,191
Adjustment	-	65,925
Additions	-	254,944
Accretion interest	73,861	286,485
Lease payments	(63,568)	(866,880)
Effect of exchange rate change on obligation	7,927	(68,829)
Balance at the end of the period	<u>2,806,056</u>	<u>2,787,836</u>
Current Portion	303,130	309,000
Non-current Portion	<u>2,502,926</u>	<u>2,478,836</u>

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

As at March 31, 2024	Payments due by period			
	1 year	2 - 5 years	Beyond 5 years	Total
Lease payments	712,493	2,267,731	1,962,873	4,943,097

  

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.

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#### 14 - DEBENTURES

The carrying value of the debentures as at March 31, 2024 and 2023, was as follows:

	2024	2023
	March 31	December 31
Debt issuance of December 23, 2022 (note 14.1)	590,094	563,388
Debt issuance of January 31, 2023 (note 14.2)	381,565	363,344
Debt issuance of August 1, 2023 (note 14.3)	1,812,586	1,757,317
Debt issuance of August 18, 2023 (note 14.4)	1,852,226	5,221,201
Debt issuance of September 8, 2023 (note 14.5)	494,973	480,543
Debt issuance of February 2, 2024 (note 14.6)	852,115	-
Debt issuance of February 27, 2024 (note 14.7)	577,600	-
<b>Debt</b>	<b>6,561,159</b>	<b>8,385,793</b>
Debt, short-term	971,658	563,388
Debt, long-term	5,589,501	7,822,405
	<b>6,561,159</b>	<b>8,385,793</b>

As at March 31, 2024, \$356,481 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 three-month periods ended March 31, 2024 and 2023 were respectively \$149,197 and \$75,119.

The carrying value of the conversion option as at March 31, 2024 and 2023, were as follows:

	2024	2023
	March 31	December 31
Debt conversion component issuance of December 23, 2022 (note 14.1) (amended in 2023)	15,640	46,240
Debt conversion component issuance of January 31, 2023 (note 14.2)	12,220	33,840
Conversion option (note 14.8)	27,860	80,080
Conversion option, short-term	27,860	46,240
Conversion option, long-term	-	33,840
	<b>27,860</b>	<b>80,080</b>



## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

#### 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 three-month period ended March 31, 2024 and 2023, relating to those debentures, was as follows:

	2024	2023
	March 31	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	21,154	165,114
Amortization of financing issuance costs	5,552	48,728
Balance at the end of the period	590,094	563,388

As at March 31, 2024, \$5,667 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.

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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 three-month period ended March 31, 2024 and 2023, relating to those debentures, was as follows:

	2024 March 31	2023 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	14,335	74,885
Amortization of financing issuance costs	3,886	31,005
Balance at the end of the period	381,565	363,344

As at March 31, 2024, \$3,917 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.

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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 three-month period ended March 31, 2024 and 2023, relating to those debentures, was as follows:

	2024	2023
	March 31	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	53,777	81,657
Amortization of financing issuance costs	1,492	2,486
Balance at the end of the period	1,812,586	1,757,317

As at March 31, 2024, \$138,317 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities (December 31, 2023 - \$89,569).

As at March 31, 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.

## TENET FINTECH GROUP INC.

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(In Canadian dollars)

(Unaudited)

#### 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 these 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 March 31, 2024.

The movement during the three-month period ended March 31, 2024 and 2023, relating to those debentures, was as follows:

	2024	2023
	March 31	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	54,764	214,808
Balance at the end of the period	1,852,226	5,221,201

As at March 31, 2024, \$145,531 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities (December 31, 2023 - \$273,514).

As at March 31, 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 three-month period ended March 31, 2024 and 2023, relating to those debentures, was as follows:

	2024	2023
	March 31	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	14,431	16,675
Balance at the end of the period	494,973	480,543

As at March 31, 2024, \$39,556 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities (December 31, 2023 - \$21,972).

As at March 31, 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 March 31, 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).

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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.

Out of the total funds raised from the convertible debenture units issued on February 2nd, 2024, \$150,000 worth of units were given as an exchange to some of the bond holders (note 15) in order to repay the bonds balance owed to them by the Company. In addition, \$1,110,000 worth of units were given as an exchange to some of the promissory notes holders (note 17) in order to repay the balance owed to them by the Company.

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 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 three-month period ended March 31, 2024, relating to those debentures, was as follows:

	2024
	March 31
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)
Balance at inception or beginning of the period	823,488
Interest and accretion of debentures	18,424
Amortization of financing issuance costs	10,203
Balance at the end of the period	852,115

As at March 31, 2024, \$14,221 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.

Out of the total funds raised from the convertible debenture units issued, \$345,000 worth of units were given as an exchange to a subscriber in order to pay for consulting services rendered by the same investor 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 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.

The movement during the three-month period ended March 31, 2024, relating to those debentures, was as follows:

	2024 March 31
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)
Balance at inception or beginning of the period	568,768
Interest and accretion of debentures	6,786
Amortization of financing issuance costs	2,046
Balance at the end of the period	577,600

As at March 31, 2024, \$9,272 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 Conversion option

	2024	2023
	March 31	December 31
Balance at the beginning of the year	80,080	-
Addition (1)	-	1,530,744
Change in fair value	(52,220)	(742,258)
Conversion of debentures	-	(708,406)
<b>Balance at the end of the period</b>	<b>27,860</b>	<b>80,080</b>
Conversion option, short-term	27,860	46,240
Conversion option, long-term	-	33,840
	<b>27,860</b>	<b>80,080</b>

(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 March 31, 2024, was \$27,860 (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 March 31, 2024, is \$31,000 (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 March 31, 2024.

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

	2024	2023
	March 31	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)	(150,000)	-
<b>Balance at the end of the period</b>	<b>250,000</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 March 31, 2024 was \$13,200.

#### 17 - PROMISSORY NOTES PAYABLE

During the fourth quarter of 2023, the Company entered into loan agreements totalling \$1,410,000 with third party investors at an interest rate of 10% and maturing between March 31, 2024 and June 30, 2024. Out of the total funds raised from the convertible debenture units issued on February 2nd, 2024, \$1,110,000 worth of units were given as an exchange to some of the promissory notes holders in order to repay the balance owed to them by the Company. The balance outstanding of the promissory notes payable as at March 31, 2024 was \$300,000.

#### 18 - LOAN PAYABLE

During the fourth quarter of 2023, the Company entered into a loan agreement totalling \$739,935 with an insurance provider (Directors and Officers insurance) at an effective annual interest rate of 8.97% payable in eleven instalments 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 March 31, 2024 was \$544,108.

#### 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 three-month period ended March 31, 2024

- 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.
- During the period ended March 31, 2024 and as mentioned in note 14.4, convertible debentures having a nominal value of \$5,000,000 and an amortized costs of \$3,423,738 were converted into 20,000,000 common shares. The Company recorded a total of \$3,860,618 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 \$436,880.

##### 19.3 Warrants

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

	March 31, 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	17,398,260	0.25	53,937,954	0.56
Expired	-	-	(14,488,313)	3.50
Exercised	-	-	(2,142,858)	0.18
Outstanding and exercisable, end of period	72,453,256	0.50	55,054,996	0.66

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

Expiration date	March 31, 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	-	-
	72,453,256		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 March 31, 2024, and December 31, 2023, are summarized as follows:

	March 31, 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	(37,500)	1.00	(293,750)	1.00
Forfeited	(27,563)	2.50	(225,340)	2.65
Outstanding at the end of period	3,314,034	2.05	3,379,098	2.04
Exercisable at the end of period	3,274,457	2.06	3,318,669	2.04

The table below summarizes the information related to outstanding share options as at March 31, 2024.

Maturity date	Range of exercise price	Number of options	Weighted average remaining contractual life (years)
May 1, 2024	1.00	50,000	1 months
May 27, 2024	1.00	447,500	1 months
September 5, 2024	1.00	10,000	5 months
November 1, 2024	1.10	50,000	7 months
June 11, 2025	1.00	745,500	1 years and 2 months
October 28, 2025	1.50	1,075,000	1 years and 6 months
November 6, 2025	2.70	50,000	1 years and 7 months
March 22, 2026	5.50	55,000	1 years and 11 months
July 7, 2026	4.10	700,000	2 years and 3 months
October 28, 2026	11.50	25,000	2 years and 6 months
January 1, 2027	7.50	15,435	2 years and 9 months
February 1, 2027	5.60	4,946	2 years and 10 months
April 1, 2027	4.16	8,865	3 years and 0 months
May 1, 2027	5.13	467	3 years and 1 months
July 1, 2027	1.65	1,971	3 years and 3 months
August 1, 2027	1.41	24,698	3 years and 4 months
October 1, 2027	1.24	1,048	3 years and 6 months
December 1, 2027	0.85-3.59	21,441	3 years and 8 months
February 1, 2028	0.95	27,163	3 years and 10 months
		3,314,034	

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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 three-month period ended March 31, 2024, the Company recorded an \$4,734 related to share-based payments (period ended March 31, 2023 - \$222,421) 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.

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

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

Grant date	February 1, 2023
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 \$46,229,798 as at March 31, 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.

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#### 22 - FINANCIAL INSTRUMENTS

##### 22.1 Classification of financial instruments

As at March 31, 2024, the carrying amount of financial assets and financial liabilities were as follows:

	March 31, 2024		
	Assets and liabilities carried at fair value	Assets and liabilities carried at amortized cost	Total carrying value
<b>Financial assets</b>			
Cash	-	162,440	162,440
Restricted Cash	-	31,000	31,000
Debtors	-	13,266,552	13,266,552
Deposits made for transactions on platforms	-	21,594,915	21,594,915
Loans receivable	-	17,131,871	17,131,871
Deposit	-	82,559	82,559
Other equity investments	1,191,895	-	1,191,895
Other current assets	-	7,733,174	7,733,174
	1,191,895	60,002,511	61,194,406
<b>Financial liabilities</b>			
Accounts payable, advances and accrued liabilities	-	16,734,649	16,734,649
Bonds	-	250,000	250,000
CEBA Loan	-	13,200	13,200
Debentures	-	6,561,159	6,561,159
Conversion option	27,860	-	27,860
Contingent consideration payable	1,088,341	-	1,088,341
Promissory note payable	-	300,000	300,000
Loan payable	-	544,108	544,108
	1,116,201	24,403,116	25,519,317

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

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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:

	March 31, 2024		
	Current		Long-term
	Within 6 months	6 to 12 months	More than 12 months
Accounts payable, advances and accrued liabilities	16,734,649	-	-
Bonds	281,000	-	-
Contingent consideration payable	420,000	431,000	442,000
CEBA loan	13,200	-	-
Debentures	-	1,150,000	8,543,000
Promissory note payable	300,000	-	-
Loan payable	405,027	139,081	-
	<b>18,153,876</b>	<b>1,720,081</b>	<b>8,985,000</b>

	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	-
	<b>16,596,364</b>	<b>1,377,106</b>	<b>12,066,000</b>

##### 22.4 Finance costs

The breakdown of finance costs during the three-month period ended March 31, 2024 and 2023 is as follows:

	2024	2023
	March 31 Three-month	March 31 Three-month
Interest on lease liabilities (note 13)	73,861	56,552
Interest on debentures and bonds	228,978	123,105
Accretion on debentures and bonds	183,671	160,092
Interest on debentures relinquished (note 14.4)	(192,876)	-
Interest, loan payable	13,673	-
Interest, promissory note payable	16,152	-
Total interest expense	323,459	339,749
Interest income	(6,186)	(9,442)
Miscellaneous	13,733	4,928
Total Finance costs	<b>331,006</b>	<b>335,235</b>

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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 March 31 Three-month	2023 March 31 Three-month
Salaries and fringe benefits	467,715	379,257
Share-based payments	-	136,288
	467,715	515,544

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

As at March 31, 2024, and 2023 the condensed interim consolidated statements of financial position includes the following amounts with related parties:

	2024 March 31	2023 December 31
Promissory notes, with interest (1)	219,341	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	2,729,341	2,736,102
Advances received from a company owned by a Director, no interest (4)	1,153,632	917,742
Debentures, with interest (3)	1,902,902	1,777,410
Debentures, interest payable (5)	173,039	106,041
Advances received from a Director, no interest (6)	40,356	-
Total amount owed to related parties by the Company	3,269,929	2,801,193

- (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 March 31, 2024, the aggregate outstanding principal amount due for said loans is \$219,341 (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 condensed interim consolidated statements of financial position.

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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). The amortized cost of the debentures due to related parties (including subscribers that became related parties after the closing date) totalling \$1,902,902 are recorded in Debentures (note 14). During the three-month period ended March 31, 2024, no interest were paid or received by the Company to related parties for debentures.
- (4) During the course of 2023 and the three-month period ended March 31, 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 March 31, 2024 is \$1,153,632 (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 corporate 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 March 31, 2024, \$173,039 of debentures, interest payable due to related parties are recorded in accounts payable, advances and accrued liabilities (note 12).
- (6) On March 28, 2024, the Company received a short-term advance from a related party totalling approximately \$40,336. The advance is recorded in accounts payable, advances and accrued liabilities within the condensed interim consolidated statements of financial position.

#### 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.

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(In Canadian dollars)

(Unaudited)

#### 24 - SEGMENT REPORTING (CONTINUED)

The segment information for the three-month periods ended March 31, 2024, and 2023, are as follows:

	Three-month period ended March 31, 2024				
	Fintech Platform	Financial Services	Other	Elimination	Total
<b>Revenues (1)</b>					
Financial service revenue from external customers	–	170,361	–	–	170,361
Fees and sales from external customers	340,643	154,417	–	–	495,060
Supply chain services	95,927	–	–	–	95,927
Other rental income from a sublease	–	–	4,287	–	4,287
Inter-segment	1,168,076	–	–	(1,168,076)	–
<b>Total revenues</b>	<b>1,604,646</b>	<b>324,778</b>	<b>4,287</b>	<b>(1,168,076)</b>	<b>765,635</b>
<b>Expenses</b>					
Depreciation and amortization	1,990,965	18,727	75,548	–	2,085,240
Finance costs	31,572	6,253	293,181	–	331,006
Change in fair value of contingent consideration	(183,564)	–	–	–	(183,564)
Change in fair value of debentures conversion options	–	–	(52,220)	–	(52,220)
Cost of service, supply chain	9,402	–	–	–	9,402
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	2,575,967	318,117	2,130,475	(1,168,076)	3,856,483
<b>Total expenses</b>	<b>4,549,748</b>	<b>343,097</b>	<b>2,446,984</b>	<b>(1,168,076)</b>	<b>6,171,753</b>
Profit (loss) before tax	(2,945,102)	(18,319)	(2,442,697)	–	(5,406,118)
Income tax (recovery)	3,256	4,743	–	–	7,999
<b>Net profit (loss)</b>	<b>(2,948,358)</b>	<b>(23,062)</b>	<b>(2,442,697)</b>	<b>–</b>	<b>(5,414,117)</b>
Non-controlling interest	(231,391)	6,380	–	–	(225,011)
Net profit (loss) attributable to: Owners of the parent	(2,716,967)	(29,442)	(2,442,697)	–	(5,189,106)
<b>Segmented assets</b>	<b>40,511,551</b>	<b>18,946,658</b>	<b>20,314,475</b>	<b>–</b>	<b>79,772,684</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.

	Three-month period ended March 31, 2023				
	Fintech Platform	Financial Services	Other	Elimination	Total
<b>Revenues (1)</b>					
Financial service revenue from external customers	–	245,948	–	–	245,948
Fees and sales from external customers	2,641,110	144,801	–	–	2,785,911
Supply chain services	6,461,945	–	–	–	6,461,945
Inter-segment	1,247,286	19,674	259,472	(1,526,432)	–
<b>Total revenues</b>	<b>10,350,341</b>	<b>410,423</b>	<b>259,472</b>	<b>(1,526,432)</b>	<b>9,493,804</b>
<b>Expenses</b>					
Depreciation and amortization	2,251,094	33,849	86,748	–	2,371,691
Finance costs	30,872	6,021	298,342	–	335,235
Change in fair value of contingent consideration	75,820	–	–	–	75,820
Cost of service, supply chain	5,968,713	–	–	–	5,968,713
All other expenses	7,529,560	298,614	3,116,072	(1,526,432)	9,417,814
<b>Total expenses</b>	<b>15,856,059</b>	<b>338,484</b>	<b>3,501,162</b>	<b>(1,526,432)</b>	<b>18,169,273</b>
Profit (loss) before tax	(5,505,718)	71,939	(3,241,690)	–	(8,675,469)
Income tax (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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(In Canadian dollars)

(Unaudited)

#### 24 - SEGMENT REPORTING (CONTINUED)

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

	2024 March 31	2023 December 31
	Non-current Assets	Non-current Assets
China	27,408,226	28,836,960
Canada	1,371,230	1,628,393
	28,779,456	30,465,353

#### 25 - NON-CONTROLLING INTERESTS

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

	2024 March 31	2023 December 31
Entities	% 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	
	2024 March 31	2023 March 31	2024 March 31	2023 December 31
Asia Synergy Supply Chain Ltd. ("ASSC")	(142,679)	(106,907)	1,167,468	1,310,148
Asia Synergy Financial Capital Ltd. ("ASFC")	(126,664)	41,438	11,662,782	11,789,447
Wechain (Nanjing) Technology Service Co., Ltd. ("WECHAIN")	(70,155)	(81,942)	88,361	158,515
Kailifeng New Energy Technology Co., Ltd. ("KALIFENG")	(39,344)	(114,290)	425,511	464,854
Shanghai Xinhuzhi Supply Chain Management Ltd. ("ASAC")	2,392	(38)	(2,238)	(4,630)
Jiangsu Supairui IOT Technology Co., Ltd. ("ASTH") (1)	(9,246)	(23,451)	(71,152)	(61,906)
	(385,696)	(285,190)	13,270,732	13,656,428

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

No dividends were paid to NCIs during the three-month period ended March 31, 2024, and 2023.

# TENET FINTECH GROUP INC.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2024, and 2023

(In Canadian dollars)

(Unaudited)

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

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

	ASSC		ASFC		Wechain		Kaifeng		ASAC		ASTH (1)		Total	
	2024 March 31	2023 December 31	2024 March 31	2023 December 31	2024 March 31	2023 December 31	2024 March 31	2023 December 31	2024 March 31	2023 December 31	2024 March 31	2023 December 31	2024 March 31	2023 December 31
Current assets	4,209,544	4,401,151	24,402,479	23,819,886	305,561	325,323	1,344,513	1,353,306	6,750	1,833	11,613	69,597	30,280,460	29,971,096
Non-current assets	211	1,211	413,901	729,657	308,153	380,658	637,222	692,767	283	-	99,333	158,184	1,459,103	1,962,477
	4,209,755	4,402,362	24,816,380	24,549,543	613,714	705,981	1,981,735	2,046,073	7,033	1,833	110,946	227,781	31,739,563	31,933,573
Current liabilities	287,010	1,627,332	23,348	490,066	29,612	29,346	181,675	156,416	-	-	83,550	102,201	605,195	2,405,361
Non-current liabilities	63,911	74,899	323,632	317,988	411,609	363,789	979,053	977,942	4,693	9,315	442,664	509,096	2,225,562	2,253,029
	350,921	1,702,231	346,980	808,054	441,221	393,135	1,160,728	1,134,358	4,693	9,315	526,214	611,297	2,830,757	4,658,390
Equity attributable to owners of the parent	1,215,120	1,363,623	12,138,814	12,270,649	91,968	164,985	442,879	483,828	(3,229)	(4,819)	(284,608)	(247,624)	13,601,844	14,030,642
Non-controlling interests	1,167,468	1,310,148	11,662,782	11,789,447	86,361	158,515	425,511	464,854	(2,238)	(4,630)	(71,152)	(61,906)	13,270,732	13,656,428
	2024 March 31	2023 March 31	2024 March 31	2023 March 31	2024 March 31	2023 March 31	2024 March 31	2023 March 31	2024 March 31	2023 March 31	2024 March 31	2023 March 31	2024 March 31	2023 March 31
Revenue	-	-	170,381	265,622	6,751	181,899	-	-	-	-	-	(3,498,460)	177,112	(3,050,939)
Profit for the year attributable to the owners of the parent	(108,369)	(117,274)	6,640	50,547	(71,309)	(78,258)	(50,914)	(117,258)	(16)	(9)	(39,304)	(70,240)	(263,272)	(332,492)
Profit for the year attributable to NCIs	(104,119)	(112,675)	6,380	48,564	(68,513)	(75,189)	(48,918)	(112,659)	(15)	(9)	(9,826)	(17,560)	(225,011)	(269,528)
<b>Profit (loss) for the year</b>	<b>(212,488)</b>	<b>(229,949)</b>	<b>13,020</b>	<b>99,111</b>	<b>(139,822)</b>	<b>(153,447)</b>	<b>(99,832)</b>	<b>(229,917)</b>	<b>(31)</b>	<b>(18)</b>	<b>(49,130)</b>	<b>(87,800)</b>	<b>(488,283)</b>	<b>(602,020)</b>
Other comprehensive income ("OCI") for the year														
OCI attributable to the owners of the parent	(40,134)	6,003	(138,474)	(7,417)	(1,709)	(7,029)	9,965	(1,698)	2,505	(30)	2,320	(23,564)	(165,527)	(33,735)
OCI attributable to NCIs	(38,560)	5,768	(133,044)	(7,126)	(1,642)	(6,753)	9,574	(1,631)	2,407	(29)	580	(5,891)	(160,685)	(15,662)
<b>OCI for the year</b>	<b>(78,694)</b>	<b>11,771</b>	<b>(271,518)</b>	<b>(14,543)</b>	<b>(3,351)</b>	<b>(13,782)</b>	<b>19,539</b>	<b>(3,329)</b>	<b>4,912</b>	<b>(59)</b>	<b>2,900</b>	<b>(29,455)</b>	<b>(326,212)</b>	<b>(49,397)</b>
Total comprehensive income for the year attributable to the owners of the parent	(148,503)	(111,271)	(131,834)	43,130	(73,016)	(85,287)	(40,949)	(118,956)	2,489	(39)	(36,984)	(93,804)	(428,799)	(366,227)
Total comprehensive income for the year attributable to NCIs	(142,679)	(106,907)	(126,664)	41,438	(70,155)	(81,942)	(39,344)	(114,290)	2,392	(38)	(9,246)	(23,451)	(385,696)	(285,190)
<b>Total comprehensive profit and loss for the year</b>	<b>(291,182)</b>	<b>(218,178)</b>	<b>(258,498)</b>	<b>84,568</b>	<b>(143,171)</b>	<b>(167,229)</b>	<b>(80,293)</b>	<b>(233,246)</b>	<b>4,881</b>	<b>(77)</b>	<b>(46,230)</b>	<b>(117,255)</b>	<b>(814,495)</b>	<b>(651,417)</b>
Net cash used in operating activities	(76,938)	(30,218)	2,693,163	28,558	(256)	(27,689)	(25,288)	(90,048)	(10,716)	(1)	72	(63,685)	2,580,037	(183,083)
Net cash used in investing activities	10,921	(2)	(3,224,152)	(508,935)	(15,330)	(1,300)	(332)	(29,030)	-	-	(1)	(38,237)	(3,228,894)	(577,504)
Net cash from financing activities	-	-	633	(24,500)	729	166	13,886	115,912	9,879	-	-	(2,522)	25,127	89,206
Foreign exchange differences	(12,048)	(12,823)	-	120,014	-	2,673	-	2,930	-	(11)	-	1,239	(12,048)	114,022
	<b>(78,065)</b>	<b>(43,043)</b>	<b>(530,356)</b>	<b>(384,713)</b>	<b>(14,857)</b>	<b>(26,150)</b>	<b>(11,734)</b>	<b>(236)</b>	<b>(837)</b>	<b>(12)</b>	<b>71</b>	<b>(103,205)</b>	<b>(635,778)</b>	<b>(557,359)</b>

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

## TENET FINTECH GROUP INC.

### Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited)

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

During the three-month periods ended March 31, 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 (March 31, 2023 - \$56,797). As at March 31, 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 three-month period ended March 31, 2023, the Company reclassified \$158,304, 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 Private placement**

Following the press releases on December 12, 2023 and January 29, 2024 in which the Company disclosed its intention to proceed with a series of financings for gross proceeds of up to \$10M, on April 16, 2024, the Company sold a total of 2,015 convertible debenture units (the "CD Units") of the Company at a price of \$1,000 per CD Unit, for aggregate gross proceeds of \$2,015,000. Each CD Unit is comprised of: (i) one 10.0% unsecured convertible debenture of the Company in the principal amount of \$1,000; and (ii) 6,666 Common Share purchase warrants. From the date of issue until their Maturity Date, Convertible Debenture holders may elect to convert, in whole or in part, the face value of the Convertible Debentures into Common Shares at a conversion price of \$0.15 per Common Share. The unsecured convertible debentures sold in the tranche closing will mature on April 16, 2027. Each common share purchase warrant sold in the first tranche closing is exercisable to acquire one Common Share at an exercise price of \$0.25 until April 16, 2026. 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.

Out of the total funds raised from the convertible debenture units issued on April 16, 2024, \$20,000 worth of units were given as an exchange to a bond holder in order to repay the bond balance owed to that person by the Company (refer to note 15). In addition, \$475,000 worth of units were given as an exchange for advances previously received from a company owned by an Officer and Director of the Company in order to partially repay the balance owed to him by the Company (refer to note 12).

For its services in connection with the tranche closings of the offering mentioned above, the Company has paid to the Agent: (i) a cash commission being an amount equal to 7% of the gross proceeds of the three tranche closing of the offering (at the exception for the CD units sold to insiders which were subject to a reduced commission of 2%); and (ii) 117.3 non-transferable broker warrants (the "CD Broker Warrants"), being such number of CD Broker Warrants as is equal to 7% of the number of CD Units sold pursuant to the Offering (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.

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

From April 1, 2024 to May 30, 2024, the Company received a series of short-terms advances from third party investors and through an insider totaling approximately \$949,582. Out of the total amount received and during the same period, \$100,000 was repaid in cash by the Company. Out of the total funds raised from the convertible debenture units issued on April 16, 2024, \$824,582 worth of units were given as an exchange to repay some of the short-term advances that were enacted during April 1, 2024 to May 30, 2024 as mentioned above.

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(In Canadian dollars)

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

##### **29.3 Legal settlement**

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 three-month period ended March 31, 2024, the Company recorded a foreign exchange expense of \$18,480 related to this revaluation. As a result, the balance recorded in accounts payable, advances and accrued liabilities as at March 31, 2024 is \$1,650,480. As at May 30, 2024, the Company and plaintiffs were still making arrangements for the initial payment related to the settlement agreement. The ability of the Company to make any payments in respect of the settlement agreement is contingent on the Company raising sufficient funds through additional financing. In the event the Company is unable to raise additional financing, the Company will be unable to meet its payment obligations and in that event there is substantial risk that the settlement agreement may be terminated and the Company and other defendants will again be subject to litigation under the original action.

##### **29.4 Promissory notes payable**

From April 1, 2024 to May 30, 2024, the Company entered into short-term loan agreements totaling \$800,000 with third party investors at an interest rate of 10% and maturing between June 29, 2024 and July 29, 2024.