

Tenet Fintech Group Inc.

**Condensed Interim Consolidated
Financial Statements (Unaudited)
For the three and six-month periods ended
June 30, 2025, and 2024**



Financial Statements

Condensed Interim Consolidated Statements of Comprehensive Profit and Loss	2
Condensed Interim Consolidated Statements of Changes in Equity	3
Condensed Interim Consolidated Statements of Cash Flows	4
Condensed Interim Consolidated Statements of Financial Position	5
Notes to Condensed Interim Consolidated Financial Statements	6–35

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

For the three and six-month periods ended June 30, 2025, and 2024

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

	Note	Three-month periods ended June 30		Six-month periods ended June 30	
		2025	2024	2025	2024
Revenues		433,570	713,943	612,731	1,479,578
Expenses					
Cost of service		128,311	22,144	128,311	31,546
Software delivery services		5,755	2,506	13,580	5,963
Salaries and fringe benefits		1,405,817	1,720,159	2,795,602	3,391,212
Service fees		8,434	28,727	26,079	275,434
Board remuneration		37,500	37,500	75,000	75,000
Consulting fees		11,478	736,340	265,816	883,846
Outsourced services, software and maintenance		(181,146)	705,489	77,068	1,161,369
Professional fees		407,113	279,937	610,161	867,397
Marketing, public relations and press releases		26,305	34,038	49,542	161,723
Office supplies, software and hardware		123,168	146,913	237,043	276,607
Lease expenses		97,198	117,466	194,432	206,781
Insurance		132,567	202,889	264,346	415,645
Finance costs	22.4	412,551	684,510	937,413	1,015,516
Expected credit loss	4-5	(7,497)	7,509,385	56,852	7,563,508
Travel and entertainment		6,029	18,063	33,287	47,071
Stock exchange and transfer agent costs		17,899	46,852	27,440	64,188
Translation cost and others		47,490	25,228	56,169	33,867
Depreciation of property and equipment	7	22,158	34,251	52,613	69,517
Depreciation of right-of-use assets	7	55,078	95,344	113,870	203,955
Amortization of intangible assets	10	227,298	1,913,438	481,202	3,831,621
Amortization of financing issuance costs	13	16,307	37,904	33,889	61,084
Change in fair value of contingent consideration payable		-	(199,500)	-	(383,064)
Change in fair value of debentures conversion options		-	(22,790)	-	(75,010)
Gain on investment in controlled subsidiary	3.3	(528,020)	-	(528,020)	-
Forgiveness of CEBA loan	15	-	-	-	(20,000)
Loss on sublease	9	-	-	-	158,203
Gain on disposition of property and equipment	7	(68,801)	-	(68,801)	(12,797)
(Gain) Loss on foreign exchange		(119,639)	(12,348)	(97,783)	26,016
		2,283,353	14,164,445	5,835,111	20,336,198
Loss before income taxes		(1,849,783)	(13,450,502)	(5,222,380)	(18,856,620)
Income taxes		(6,914)	1,045	(6,914)	9,044
Net loss		(1,842,869)	(13,451,547)	(5,215,466)	(18,865,664)
Net loss attributable to :					
Non-controlling interest	25	(96,333)	(776,318)	(217,121)	(1,001,329)
Owners of the parent		(1,746,536)	(12,675,229)	(4,998,345)	(17,864,335)
		(1,842,869)	(13,451,547)	(5,215,466)	(18,865,664)
Item that will be reclassified subsequently to profit or loss					
Currency translation adjustment		(387,937)	207,907	(424,907)	(369,750)
Total comprehensive loss		(2,230,806)	(13,243,640)	(5,640,373)	(19,235,414)
Total comprehensive loss attributable to:					
Non-controlling interest	25	(218,256)	(758,371)	(297,889)	(1,144,067)
Owners of the parent		(2,012,550)	(12,485,269)	(5,342,484)	(18,091,347)
		(2,230,806)	(13,243,640)	(5,640,373)	(19,235,414)
Weighted average number of outstanding shares		325,140,867	144,179,544	294,795,660	143,660,990
Basic and diluted loss per share		(0.005)	(0.088)	(0.017)	(0.124)

Going concern uncertainty (note 2)

Subsequent events (note 28)

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

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

For the six-month periods ended June 30, 2025, and 2024

(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								
Balance as at January 1, 2025		238,066,559	228,003,528	181,661	30,629,280	899,351	(828,085)	(268,313,810)	(9,428,075)	13,144,317	3,716,242
Issuance of shares and warrants	19.2-19.4	75,074,308	2,521,003	–	1,277,464	–	–	–	3,798,467	–	3,798,467
Issuance costs – shares and warrants	19.2	–	(301,972)	–	–	–	–	–	(301,972)	–	(301,972)
Issuance of broker compensation warrants	19.2	–	–	–	34,472	–	–	–	34,472	–	34,472
Conversion of debentures	13-19.2	12,000,000	2,263,297	–	–	(220,471)	–	–	2,042,826	–	2,042,826
Share-based compensation	20	–	–	–	258	–	–	–	258	–	258
Transactions with owners		325,140,867	232,485,856	181,661	31,941,474	678,880	(828,085)	(268,313,810)	(3,854,024)	13,144,317	9,290,293
Net loss		–	–	–	–	–	–	(4,998,345)	(4,998,345)	(217,121)	(5,215,466)
Other comprehensive loss		–	–	–	–	–	(344,139)	–	(344,139)	(80,768)	(424,907)
Total comprehensive loss for the period		–	–	–	–	–	(344,139)	(4,998,345)	(5,342,484)	(297,889)	(5,640,373)
Balance as at June 30, 2025		325,140,867	232,485,856	181,661	31,941,474	678,880	(1,172,224)	(273,312,155)	(9,196,508)	12,846,428	3,649,920

	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								
Balance as at January 1, 2024		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	13	–	–	–	1,396,505	327,577	–	–	1,724,082	–	1,724,082
Issuance costs – equity component of convertible debentures	13	–	–	–	(171,640)	(37,077)	–	–	(208,717)	–	(208,717)
Issuance of non-transferable broker warrants	13	–	–	–	135,944	–	–	–	135,944	–	135,944
Conversion of debentures	13-19.3	23,366,667	4,193,007	–	–	(468,861)	–	–	3,724,146	–	3,724,146
Share-based compensation	20	–	–	–	8,375	–	–	–	8,375	–	8,375
Payment of contingent consideration	4.1	269,814	539,628	(539,628)	–	–	–	–	–	–	–
Transactions with owners		147,398,226	222,658,717	181,661	27,801,824	933,711	(1,606,808)	(210,359,682)	39,609,423	13,656,428	53,265,851
Net loss		–	–	–	–	–	–	(17,864,335)	(17,864,335)	(1,001,329)	(18,865,664)
Other comprehensive loss		–	–	–	–	–	(227,012)	–	(227,012)	(142,738)	(369,750)
Total comprehensive loss for the period		–	–	–	–	–	(227,012)	(17,864,335)	(18,091,347)	(1,144,067)	(19,235,414)
Balance as at June 30, 2024		147,398,226	222,658,717	181,661	27,801,824	933,711	(1,833,820)	(228,224,017)	21,518,076	12,512,361	34,030,437

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

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

For the three and six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

		Three-month periods ended June 30		Six-month periods ended June 30	
	Note	2025	2024	2025	2024
OPERATING ACTIVITIES					
Net loss		(1,842,869)	(13,451,547)	(5,215,466)	(18,865,664)
Non-cash items					
Expected credit loss	4-5	(7,497)	7,509,385	56,852	7,563,508
Depreciation of property and equipment	7	22,158	34,251	52,613	69,517
Depreciation of right-of-use assets	7	55,078	95,344	113,870	203,955
Amortization of intangible assets	10	227,298	1,913,438	481,202	3,831,621
Amortization of financing issuance costs	13	16,307	37,904	33,889	61,084
Accretion on debentures and bonds	13	167,263	251,576	338,170	435,247
Accretion of lease interest	12	50,427	72,766	104,124	146,627
Interest income on deposit		(1,351)	(1,274)	(2,684)	(2,529)
Change in fair value of contingent consideration payable		-	(199,500)	-	(383,064)
Change in fair value of debentures conversion options		-	(22,790)	-	(75,010)
Share-based compensation	20	-	3,641	258	8,375
Forgiveness of CEBA loan	15	-	-	-	(20,000)
Loss on sublease	9	-	-	-	158,203
Gain on disposition of property and equipment	7	(68,801)	-	(68,801)	(12,797)
Gain on investment in controlled subsidiary		(528,020)	-	(528,020)	-
Loans receivable maturing in more than 12 months	4	37,394	(46,347)	2,106	(78,520)
Deposits made for transactions on platforms, long term	5.2	-	(850,229)	-	(912,489)
Net changes in working capital items					
Restricted cash		-	(5,817)	-	(13,484)
Income tax payable		(165,105)	(12,873)	(165,445)	(28,056)
Accounts receivable	5.1	169,280	(492,633)	166,323	(684,714)
Deposits made for transactions on platforms, short term	5.2	-	772,847	-	692,667
Finance lease receivable	9	8,627	2,404	17,148	3,617
Prepayments to third party subcontractors	5.1	52,394	52,246	(14,269)	(30,457)
Other debtors	5.1	(150,075)	112,191	(197,510)	168,311
Loans receivable maturing in less than 12 months	4	717,417	85,646	679,290	(340,299)
Assets held for sale		-	(796)	-	(2,387)
Other prepaid expenses		235,749	220,542	372,987	407,079
Trade accounts payable and accruals	11	3,560	2,111,935	1,038,630	5,131,816
Interest payable on debentures	11	159,493	275,475	511,938	237,317
Advances from third-party customers	11	9,903	1,038	10,500	1,336
Contract liabilities with third-party customers	11	2,442	(109,453)	174,770	63,641
Cash flows from operating activities		(828,928)	(1,640,630)	(2,037,525)	(2,265,549)
INVESTING ACTIVITIES					
Property and equipment - Disposals	7	79,227	-	79,227	33,962
Intangible assets - disposals(additions)	10	10,454	(75,040)	10,454	(478,595)
Cash flows from investing activities		89,681	(75,040)	89,681	(444,633)
FINANCING ACTIVITIES					
Advances received from a company owned by a Director	11-23	7,616	-	7,616	235,890
Repayment of lease liabilities	12	(217,360)	(155,096)	(322,128)	(218,664)
Promissory note payable	16	-	790,000	50,000	790,000
Repayment of loan payable	17	(91,198)	(139,930)	(131,552)	(270,967)
Repayment of CEBA loan	15	-	-	-	(66,800)
Repayment of Bond	14	(15,000)	-	(15,000)	-
Repayment of credit facility	18	(45,000)	-	(45,000)	-
Proceeds from the issuance of shares and warrants	19	327,420	-	1,467,363	-
Proceeds from the issuance of convertible debentures and warrants	13	1,090,491	1,336,300	1,090,491	2,036,035
Cash flows from financing activities		1,056,969	1,831,274	2,101,790	2,505,494
IMPACT OF FOREIGN EXCHANGE					
		(407,763)	144,836	(452,101)	(563,990)
Net increase(decrease) in cash					
Cash, beginning of the period		(90,041)	260,440	(298,155)	(768,678)
Cash, beginning of the period		681,971	162,440	890,085	1,191,558
Cash, end of the period		591,930	422,880	591,930	422,880

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

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

As at June 30, 2025 and December 31, 2024

(In Canadian dollars)

(Unaudited)

	Note	As at June 30, 2025	As at December 31, 2024
ASSETS			
Current			
Cash		591,930	890,085
Restricted cash		3,649	3,840
Loans receivable	4	17,507,638	18,186,928
Assets held for sale		123,737	128,091
Debtors	5.1	5,229,151	5,428,616
Finance lease receivable	9	38,635	34,729
Prepaid expenses		416,129	789,116
Other current assets	6	6,642,683	7,733,174
		30,553,552	33,194,579
Loans receivable	4	–	58,958
Finance lease receivable	9	36,681	57,735
Deposit		89,126	86,442
Property and equipment	7	1,952,247	2,219,578
Investments	8	952,000	985,500
Intangible assets	10	1,454,885	1,992,479
		35,038,491	38,595,271
LIABILITIES			
Current			
Accounts payable, advances and accrued liabilities	11	22,312,583	21,924,936
Lease liabilities	12	131,312	203,426
Bonds	14	215,000	230,000
CEBA Loan	15	13,200	13,200
Promissory note payable	16	–	1,188,500
Loan payable	17	284,464	470,654
Debentures	13	524,998	664,737
Current tax liabilities		1,718,619	1,884,064
		25,200,176	26,579,517
Debentures	13	4,685,710	6,311,738
Lease liabilities	12	1,502,685	1,692,348
Credit facility	18	–	295,426
		31,388,571	34,879,029
SHAREHOLDERS' EQUITY			
Capital stock	19	232,485,856	228,003,528
Shares to be issued		181,661	181,661
Contributed surplus		31,941,474	30,629,280
Equity component of convertible debentures	13	678,880	899,351
Accumulated other comprehensive loss		(1,172,224)	(828,085)
Deficit		(273,312,155)	(268,313,810)
Shareholders' equity attributable to owners of the parent		(9,196,508)	(9,428,075)
Non-controlling interest	25	12,846,428	13,144,317
Total shareholders' equity		3,649,920	3,716,242
		35,038,491	38,595,271

Going concern uncertainty (note 2)

Subsequent events (note 28)

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

On behalf of the Board,

/S/ Johnson Joseph

Director

/S/ Yves C. Renaud

Director

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(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 on the "OTCQB Venture Market in the U.S." 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

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation and 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 2024 and in March 2025, 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. Also, the Company incurred a net loss of \$5,215,466 for the six-month period ended June 30, 2025 (June 30, 2024 - \$18,865,664), it has an accumulated deficit of \$273,312,155 as at June 30, 2025 (year ended December 31, 2024 - \$268,313,810) 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. For the six-month period ended June 30, 2025, the Company secured \$2,101,790 from financing activities (June 30, 2024 - \$2,505,494). This amount is primarily attributable to private placement from equity and promissory notes payable. The Company expects to maintain a similar level of investor commitment over the next twelve months.

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

3 - SUMMARY OF MATERIAL ACCOUNTING POLICIES

3.1 Statement of compliance with IFRS

These condensed interim consolidated financial statements for the six-month period ended June 30, 2025, 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, 2024. 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, 2024.

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, 2024 except for new standards and interpretations effective January 1, 2025.

These condensed interim consolidated financial statements for the six-month periods ended June 30, 2025, and 2024 were approved and authorized for the issue by the Board of Directors on October 3, 2025

3.2 Basis of measurement

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

3.3 Basis of Consolidation

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

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

3 - SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

Entities	Registered	% of ownership and voting right	Principal activity	Functional Currency
Tenet Fintech Group Inc.	Canada		Holding and parent company	Canadian dollar
Cubeler Inc.	Canada	100%	Technology based product developer and procurement facilitator	Canadian dollar
Tenoris 3 Inc.	Canada	100%	Technology based product developer and procurement facilitator	Canadian dollar
Asia Synergy Limited ("ASL")	Hong Kong	100%	Holding	US dollar
Asia Synergy Holdings Ltd. ("ASH")	China	100%	Holding	Renminbi
Asia Synergy Technologies Ltd. ("AST")	China	100%	Technology based product procurement facilitator	Renminbi
Asia Synergy Supply Chain Ltd. ("ASSC")	China	51%	Technology based product procurement facilitator	Renminbi
Zhejiang Xinjiupin - Oil & Gas Management Co. ("AJP")	China	100%	Technology based product procurement facilitator	Renminbi
Asia Synergy Data Solutions Ltd. ("ASDS")	China	100%	Fintech	Renminbi
Asia Synergy Credit Solutions Ltd. ("ASCS")	China	100%	Credit outsourcing services	Renminbi
Asia Synergy Supply-chain Technologies Ltd. ("ASST")	China	100%	Supply chain services	Renminbi
Beijing Xinxiangtaike Technologies Service Co., Ltd. ("ASSI")	China	100%	Fintech	Renminbi
Wuxi Aorong Ltd. ("AORONG")	China	100%	Holding	Renminbi
Asia Synergy Financial Capital Ltd. ("ASFC")	China	51%	Financial institution	Renminbi
Huikie Internet Technology Co., Ltd. ("HUIKE")	China	100%	Technology based product facilitator	Renminbi
Kailifeng New Energy Technology Co., Ltd. ("KALIFENG")	China	42.5%	Technology based clean energy trading platform facilitator	Renminbi
Shanghai Xinhuizhi Supply Chain Management Ltd. ("ASAC")	China	51%	Technology based product procurement facilitator	Renminbi
Tianjin Wodatong Technology Co., Ltd. ("ASB")	China	100%	Fintech	Renminbi
Jiangsu Supairui IOT Technology Co., Ltd. ("ASTH")	China	80%	Technology based product procurement facilitator	Renminbi
Wuxi Suyetong Supply Chain Management Co., Ltd. ("SST")	China	80%	Technology based product procurement facilitator	Renminbi
Jiangsu Steel Chain Technology Co., Ltd. ("STEELCHAIN")	China	100%	Technology based steel trading platform facilitator	Renminbi

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

On April 3, 2025, the Company signed an agreement regarding the share transfer of its subsidiary Wechain (Nanjing) Technology Service Co., Ltd. ("WECHAIN"). The Company agreed to transfer 12.59% WECHAIN's shares to its non-controlling shareholder Nanjing Zhongke Ruanzhi Information Technology Co., Ltd. at \$Nil consideration. The subsidiary completed all the filings and registrations of the transfer on April 14, 2025. After the transfer, the Company lost its controllership to WECHAIN, representing 38.41% of its shares.

On April 1, 2025, the Company has incorporated a new wholly-owned subsidiary to conduct business in the U.S. ahead of the Company's planned expansion of the Business Hub to that market in the future quarter of 2025. The new entity, incorporated in the state of Delaware, will be conducting business under the name Cubeler Inc. (U.S.) and will have legal and operational rights related to the Business Hub in the United States.

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

3.4 Foreign currency translation

Functional and presentation currency

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

4 - 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.

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

4 - LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

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:

	2025 June 30	2024 December 31
Principal balance loans receivable	18,308,401	18,990,938
Less expected credit loss (ECL)	(800,763)	(745,052)
Loans receivable net	17,507,638	18,245,886
Loans receivable maturing in less than 12 months	17,507,638	18,186,928
Loans receivable maturing in more than 12 months	–	58,958
	17,507,638	18,245,886

Impaired loans and allowances for credit loss

The Company performed a three-stage forward-looking impairment approach to its loan portfolio to measure the expected credit loss as described in detail in the summary of significant accounting policies.

Credit quality of loans

The following table presents the gross carrying amount of loans receivable as at June 30, 2025, and December 31, 2024, according to credit quality and ECL impairment stages.

ECL is calculated at the end of the year 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%		83.4%	1.0%	2.0%
June 30, 2025		Gross Carrying Amount	Allowance for Credit Loss	Net Carrying Amount
Stage 1: Not overdue <= 30 Days	94.3%	17,273,837	(3,453)	17,270,384
Stage 2: Overdue 30-90 days	0.0%	–	–	–
Stage 3: Overdue > 90 days	5.7%	1,034,564	(797,310)	237,254
	100.0%	18,308,401	(800,763)	17,507,638
December 31, 2024		Gross Carrying Amount	Allowance for Credit Loss	Net Carrying Amount
Stage 1: Not overdue <= 30 Days	94.3%	17,900,472	(3,577)	17,896,895
Stage 2: Overdue 30-90 days	0.0%	–	–	–
Stage 3: Overdue > 90 days	5.7%	1,090,466	(741,475)	348,991
	100.0%	18,990,938	(745,052)	18,245,886

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

4 - LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The loss allowance for loans to customers as at June 30, 2025, 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
Loss allowance as at January 1, 2025	–	–	740,075	740,075
Originations net of repayments and other derecognitions	–	–	4,592	4,592
Net remeasurement	–	–	52,820	52,820
Foreign exchange and other	–	–	(971)	(971)
Loss allowance as at June 30, 2025	–	–	796,516	796,516

	Product Type - Residential property			
	Stage 1	Stage 2	Stage 3	Total ECL
Loss allowance as at January 1, 2025	4	–	1,400	1,404
Originations net of repayments and other derecognitions	(1)	–	(558)	(559)
Foreign exchange and other	(1)	–	(48)	(49)
Loss allowance as at June 30, 2025	2	–	794	796

	Product Type - Credit & Supply Chain Finance Credit			
	Stage 1	Stage 2	Stage 3	Total ECL
Loss allowance as at January 1, 2025	3,573	–	–	3,573
Originations net of repayments and other derecognitions	(1)	–	–	(1)
Foreign exchange and other	(121)	–	–	(121)
Loss allowance as at June 30, 2025	3,451	–	–	3,451

The loss allowance for loans to customers as at December 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
Loss allowance as at January 1, 2024	–	–	553,828	553,828
Originations net of repayments and other derecognitions	–	–	(11,674)	(11,674)
Net remeasurement	–	–	191,740	191,740
Foreign exchange and other	–	–	6,181	6,181
Loss allowance as at December 31, 2024	–	–	740,075	740,075

	Product Type - Residential property			
	Stage 1	Stage 2	Stage 3	Total ECL
Loss allowance as at January 1, 2024	15	–	1,268	1,283
Originations net of repayments and other derecognitions	(7)	–	(444)	(451)
Net remeasurement	–	–	497	497
Transfers				
– to lifetime ECL credit-impaired	(5)	–	5	–
Foreign exchange and other	1	–	74	75
Loss allowance as at December 31, 2024	4	–	1,400	1,404

	Product Type - Credit & Supply Chain Finance Credit			
	Stage 1	Stage 2	Stage 3	Total ECL
Loss allowance as at January 1, 2024	3,220	–	–	3,220
Originations net of repayments and other derecognitions	166	–	–	166
Foreign exchange and other	187	–	–	187
Loss allowance as at December 31, 2024	3,573	–	–	3,573

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

5 – DEBTORS AND DEPOSITS MADE FOR TRANSACTIONS ON PLATFORMS

5.1 Debtors

	2025 June 30	2024 December 31
Sales tax receivable	961,531	1,010,176
Advances to companies	510,644	264,487
Accounts receivable (1)	221,207	387,530
Subscriptions receivable from non-controlling interests	1,358,386	1,303,309
Subscriptions receivable of shares and warrants	–	300,000
Prepayments to third party subcontractors (2)	2,177,383	2,163,114
	5,229,151	5,428,616

(1) The Company reassesses the recoverability of each debtor categorized by type of supply chain activity and by customer. The Company identified new indicators of specific deterioration in supply chain activities related to business transactions on the GoldRiver platform. During the six-month period ended June 30, 2025, an expense of \$Nil (December 31, 2024 – an expense of \$10,320,481) was recorded as expected credit loss in the condensed interim consolidated statements of comprehensive profit and loss.

	2025 June 30	2024 December 31
Accounts receivable before expected credit loss	14,044,379	14,789,788
Less expected credit loss (ECL)	(13,823,172)	(14,402,258)
Accounts receivable after expected credit loss	221,207	387,530

(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.

5.2 Deposits made for transactions on platforms

	2025 June 30	2024 December 31
Deposits made for transactions on platforms with guarantee (1)	26,935,211	27,895,379
Deposits made for transactions on platforms before expected credit loss	26,935,211	27,895,379
Less expected credit loss (ECL)	(26,935,211)	(27,895,379)
Deposits made for transactions on platforms after expected credit loss	–	–

(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.

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. During the six-month period ended June 30, 2025, an expense of \$Nil (December 31, 2024 – an expense of \$21,894,046) was recorded as expected credit loss in the condensed interim consolidated statements of comprehensive profit and loss.

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

6 - OTHER CURRENT ASSETS

	2025 June 30	2024 December 31
Other current assets (1)	6,642,683	7,733,174
	6,642,683	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 13, the Company had funds from convertible debentures recorded in other current assets amounting to \$7,733,174 as at December 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 December 31, 2024. During the six-month period ended June 30, 2025, the Company was able to allocate \$1,090,491 to its North American operations which reduced the balance of other current assets.

7 - PROPERTY AND EQUIPMENT

	Right-of-Use Assets	IT & Office Equipment	Leasehold Improvement	Vehicles & Other Equipment	Total
Gross carrying amount					
Balance as at January 1, 2025	3,985,776	680,716	405,059	191,393	5,262,944
Disposals	(90,506)	(38,780)	–	(32,368)	(161,654)
Balance as at June 30, 2025	3,895,270	641,936	405,059	159,025	5,101,290
Accumulated amortization					
Balance as at January 1, 2024	2,451,506	343,500	66,978	181,382	3,043,366
Depreciation	113,870	33,476	19,137	–	166,483
Disposals	(12,266)	(29,972)	–	(30,750)	(72,988)
Exchange differences	11,728	115	–	339	12,182
Balance as at June 30, 2025	2,564,838	347,119	86,115	150,971	3,149,043
Net carrying amount as at June 30, 2025	1,330,432	294,817	318,944	8,054	1,952,247
Gross carrying amount					
Balance as at January 1, 2024	5,371,610	696,923	405,059	215,463	6,689,055
Disposals	(1,385,834)	(16,207)	–	(24,070)	(1,426,111)
Balance as at December 31, 2024	3,985,776	680,716	405,059	191,393	5,262,944
Accumulated amortization					
Balance as at January 1, 2024	2,703,747	256,500	28,705	190,779	3,179,731
Depreciation	355,991	96,025	38,273	624	490,913
Disposals	(556,102)	(8,072)	–	(9,986)	(574,160)
Exchange differences	(52,130)	(953)	–	(35)	(53,118)
Balance as at December 31, 2024	2,451,506	343,500	66,978	181,382	3,043,366
Net carrying amount as at December 31, 2024	1,534,270	337,216	338,081	10,011	2,219,578

During the six-month period ended June 30, 2025, the Company disposed IT & Office Equipment and Vehicles & Other Equipment having a combined net book value of \$10,426 for a total net proceeds of \$6,425. Consequently, a loss on disposition of property and equipment of \$4,001 ((June 30, 2024 – a gain of \$12,797) was recorded in the consolidated statement of comprehensive profit and loss.

During the six-month period ended June 30, 2025, due to the loss of controllership of WECHAIN, the Company derecognised the Right-of-Use Assets having a combined net book value of \$78,240 which represented a non-cash transaction. In addition, the lease payment of the Company's subsidiary ASST was forgiven for an amount of \$72,803. Consequently, a gain on disposition of property and equipment of \$72,803 was recorded in the consolidated statement of comprehensive profit and loss.

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

8 - INVESTMENTS

	2025 June 30	2024 December 31
Other equity investments (1)	952,000	985,500
	952,000	985,500

(1) 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 \$952,000 as at June 30, 2025 (December 31, 2024 - \$985,500).

The movement during the six-month period ended June 30, 2025 and twelve-month period ended December 31, 2024, relating to the other equity investments, were as follows:

	2025 June 30	2024 December 31
Balance at the beginning of the year	985,500	1,183,005
Impairment (AXS)	-	(266,085)
Foreign exchange	(33,500)	68,580
Balance at the end of the period	952,000	985,500

9 - FINANCE LEASE RECEIVABLE

	2025 June 30	2024 December 31
Balance at the beginning of the year	92,464	-
Additions	-	100,980
Rental payments received	(17,148)	(8,516)
Balance at the end of the period	75,316	92,464
Current Portion	38,635	34,729
Non-current Portion	36,681	57,735

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 1, 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 having a net book value of \$259,183 and recorded a loss on sublease of \$158,203 in the consolidated statement of comprehensive profit and loss for the year ending December 31, 2024.

The Company's undiscounted lease payment to be received as at June 30, 2025 were as follows:

As at June 30, 2025	Payments to be received by period			
	1 year	2 - 5 years	Beyond 5 years	Total
Lease payments to be received	41,555	37,530	-	79,085

As at December 31, 2024	Payments to be received by period			
	1 year	2 - 5 years	Beyond 5 years	Total
Lease payments to be received	38,555	59,807	-	98,362

The total unearned finance income up to the end of the sublease term is \$3,769 as at June 30, 2025 (\$8,277 - June 30, 2024).

The total other rental income collected from the subtenant relating to additional rent (operating expenses recovery) is recorded as revenues in the condensed interim consolidated statement of comprehensive profit and loss for the six-month period ended June 30, 2025.

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

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

10 – INTANGIBLE ASSETS

The carrying value of the intangible assets as at June 30, 2025 and December 31, 2024, were as follows:

	Loan Servicing Agreement	Gold River Platform	System Integration Platform (Formerly called Cubeler Interface)	Cubeler Platform	Other ERP Platforms	Heartbeat Platform	Tradenames	Total intangible assets
Gross carrying amount								
Balance as at January 1, 2025	1,430,000	19,508,201	2,708,222	24,924,238	6,877,035	10,254,843	5,287,000	70,989,539
Addition	–	–	–	–	(10,454)	–	–	(10,454)
Balance as at June 30, 2025	1,430,000	19,508,201	2,708,222	24,924,238	6,866,581	10,254,843	5,287,000	70,979,085
Accumulated amortization and impairment loss								
Balance as at January 1, 2025	858,000	19,508,201	2,708,222	24,924,238	5,458,888	10,254,843	5,284,668	68,997,060
Amortization	71,500	–	–	–	409,452	–	250	481,202
Exchange differences	–	–	–	–	45,938	–	–	45,938
Balance as at June 30, 2025	929,500	19,508,201	2,708,222	24,924,238	5,914,278	10,254,843	5,284,918	69,524,200
Net carrying amount as at June 30, 2025	500,500	–	–	–	952,303	–	2,082	1,454,885
Gross carrying amount								
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	–	394,200	110,376	–	399,406	(246,313)	–	657,669
Balance as at December 31, 2024	1,430,000	19,508,201	2,708,222	24,924,238	6,877,035	10,254,843	5,287,000	70,989,539
Accumulated amortization and impairment loss								
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	143,000	4,263,145	499,715	–	1,614,927	463,706	500	6,984,993
Impairment loss on intangible	–	5,712,051	570,241	–	251,953	392,387	–	6,926,632
Exchange differences	–	(290,798)	(54,332)	–	(152,416)	(60,406)	–	(557,952)
Balance as at December 31, 2024	858,000	19,508,201	2,708,222	24,924,238	5,458,888	10,254,843	5,284,668	68,997,060
Net carrying amount as at December 31, 2024	572,000	–	–	–	1,418,147	–	2,332	1,992,479

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

11 - ACCOUNTS PAYABLE, ADVANCES AND ACCRUED LIABILITIES

	2025 June 30	2024 December 31
Trade accounts payable and accruals	16,683,362	16,867,812
Advances received from a company owned by a Director, no interest (1)	704,091	720,983
Advances from third-party customers, no interest	56,207	45,707
Contract liabilities with third-party customers, no interest (2,3)	2,339,141	2,164,371
Interest payable on debentures (note 13)	702,622	209,383
Provision for legal settlement (4)	1,637,160	1,726,680
Advances from third-party	190,000	190,000
	22,312,583	21,924,936

(1) During the six-month period ended June 30, 2025, a Company owned by a Director of the Company, made a series of short-term loans totally approximately \$7,616 to Asia Synergy Holding Inc. ("ASH"), a wholly owned subsidiary of the Company. The balance of the net advances received from a Company owned by a Director at no interest as at June 30, 2025 is \$704,091 (December 31, 2024 - \$720,983). The foreign exchange impact was a gain of \$24,508.

(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.

	2025 June 30	2024 December 31
Balance at the beginning of the year	2,164,371	2,019,404
Increase in contract liabilities during the period	714,598	131,419
Revenue recognized for balances included in Contract liabilities Balance at the beginning of the year	-	(87,175)
Revenue recognized for balances included in Contract liabilities Balance in previous years	(9,337)	(15,083)
Revenue recognized for Contract liabilities originated during the period	(428,772)	(1,422)
Other	(21,806)	-
Exchange differences	(79,914)	117,228
Balance at the end of the period	2,339,141	2,164,371

(4) On April 8th, 2024, an agreement was signed to settle a class action lawsuit that was brought against Tenet and two of its executives on November 19, 2021 in the United States District Court for the Eastern District of New York. Despite the fact that the settlement does not include any admission of liability or wrongdoing on the part of the Company or any defendant, the parties have agreed to a settlement of approximately \$1,632,000 (\$1,200,000 USD) payable in five instalments between April 30, 2024, and December 31, 2024. Consequently, a loss on legal settlement totalling \$1,632,000 was initially recorded in the condensed statements of comprehensive profit and loss for the year ended December 31, 2023 and a provision for legal settlement for the same amount was booked, in accounts payable, advances and accrued liabilities within the consolidated statements of financial position as at December 31, 2023. The balance recorded in accounts payable, advances and accrued liabilities is revalued into Canadian dollars at the foreign exchange rate as at the end of each reporting period with the resulting difference recorded as a foreign exchange expense within the condensed interim consolidated statement of comprehensive profit and loss. During the six-month period ended June 30, 2025, the Company recorded a foreign exchange gain of \$89,520 related to this revaluation. As a result, the balance recorded in accounts payable, advances and accrued liabilities as at June 30, 2025 is \$1,637,160.

12 - LEASE LIABILITIES

	2025 June 30	2024 December 31
Balance at the beginning of the year	1,895,774	2,787,836
Adjustment	-	(591,303)
Accretion interest	104,124	264,794
Lease payments	(322,128)	(546,425)
Effect of exchange rate change on obligation	(43,773)	(19,128)
Balance at the end of the period	1,633,997	1,895,774
Current Portion	131,312	203,426
Non-current Portion	1,502,685	1,692,348

The Company's obligations regarding lease payments as at June 30, 2025, and December 31, 2024, were as follows:

As at June 30, 2025	Payments due by period			
	1 year	2 - 5 years	Beyond 5 years	Total
Lease payments	496,786	1,588,693	1,217,751	3,303,230

As at December 31, 2024	Payments due by period			
	1 year	2 - 5 years	Beyond 5 years	Total
Lease payments	579,484	1,682,142	1,392,635	3,654,261

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

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

13 - DEBENTURES

The carrying value of the debentures as at June 30, 2025 and 2024, was as follows:

	2025	2024
	June 30	December 31
Debt issuance of December 23, 2022 (note 13.1)	450,000	450,000
Debt issuance of January 31, 2023 (note 13.2)	75,000	214,737
Debt issuance of August 1, 2023 (note 13.3)	2,148,814	2,001,270
Debt issuance of August 18, 2023 (note 13.4)	312,432	2,039,815
Debt issuance of September 8, 2023 (note 13.5)	583,196	544,405
Debt issuance of February 2, 2024 (note 13.6)	701,974	863,944
Debt issuance of February 27, 2024 (note 13.7)	358,474	326,979
Debt issuance of April 16, 2024 (note 13.8)	580,819	535,325
Debt	5,210,710	6,976,475
Debt, short-term	524,998	664,737
Debt, long-term	4,685,710	6,311,738
	5,210,708	6,976,475

As at June 30, 2025, \$702,622 of interest payable on debentures is recorded in accounts payable, advances and accrued liabilities (December 31, 2024 - \$209,383).

Total issuance costs recorded in the condensed interim consolidated statements of changes in equity related to convertible debentures issued during the six-month periods ended June 30, 2025 and 2024 were respectively \$Nil and \$208,717.

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

13 - DEBENTURES (CONTINUED)

13.1 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 13.4), 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.

On December 23, 2024, convertible debentures with nominal value of \$680,000 were expired. \$230,000 of that amount was repaid from the proceeds of the private placement closed on November 29, 2024, resulting in a remaining balance of \$450,000 as at December 31, 2024. The Company is in the process of negotiating an extension with the holders. Interest expense has been accrued as per the initial terms of the convertible debentures, up to the six-month period ended June 30, 2025.

The movement during the six-month period ended June 30, 2025 and twelve-month period ended December 31, 2024, relating to those debentures, was as follows:

	2025 June 30	2024 December 31
Balance at the beginning of the year	450,000	563,388
Maturity repayment	-	(230,000)
Interest and accretion of debentures	-	94,939
Amortization of financing issuance costs	-	21,673
Balance at the end of the period	450,000	450,000

As at June 30, 2025, \$40,168 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities (December 31, 2024 - \$21,834).

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

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

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

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

13 - DEBENTURES (CONTINUED)

13.2 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 13.4), 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.

On December 19, 2024, convertible debentures having a nominal value of \$250,000 were converted into common shares of the Company. At the date of conversion, these debentures had an amortized cost totalling \$238,104. The Company issued 3,366,667 common shares to the debenture holders and recorded \$238,104 in share capital.

On January 3, 2025, \$50,000 of convertible debentures were converted into common shares of the Company. At the date of conversion, these debentures has an amortized cost totalling \$48,804. The Company issued 500,000 common shares to the debenture holders and recorded \$48,804 in share capital.

On January 31, 2025, convertible debentures with nominal value of \$170,000 were expired. \$30,000 out of the remaining value was repaid from the proceeds of the private placement closed on November 29, 2024 and a total of \$65,000 was repaid during the three-month period ended June 30, 2025, resulting in the remaining value of \$75,000 as at June 30, 2025. The Company is in the process of negotiating an extension with the holders. Interest expense has been accrued as per the initial terms of the convertible debentures, up to the six-month period ended June 30, 2025.

The movement during the six-month period ended June 30, 2025 and twelve-month period ended December 31, 2024, relating to those debentures, was as follows:

	2025 June 30	2024 December 31
Balance at the beginning of the year	214,737	363,344
Maturity repayment	(95,000)	-
Balance at inception or beginning of the year	119,737	363,344
Conversion of debentures	(48,804)	(238,104)
Interest and accretion of debentures	3,597	74,642
Amortization of financing issuance costs	470	14,855
Balance at the end of the period	75,000	214,737

As at June 30, 2025, \$18,083 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities (December 31, 2024 - \$18,043).

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

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

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

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

13 - DEBENTURES (CONTINUED)

13.3 Debenture issuance of August 1, 2023

On August 1, 2023, the Company issued 2,598 units of convertible debentures (including 2,000 units to Insiders) for gross contractual proceeds of \$2,598,000 (net proceeds of \$2,575,500 after related expenses). Each unit sold comprised of \$1,000 face value debentures, maturing on August 1, 2026, bearing interest at a nominal rate of 10% payable monthly, plus 4,000 purchase warrants, for a total of 10,392,000 purchase warrants, exercisable into Company common shares at \$0.50 per share for a period of 24 months from the date of issuance.

The debentures, at issuance, allowed their subscribers to convert them into common shares of the Company at any time prior to maturity, subject to certain terms and conditions, at \$0.25 per common share.

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

Tenet also granted 40,000 finder's compensation warrants to eligible persons who helped place the debenture units entitling them to purchase a number of Tenet common shares equal to approximately 5% of the value of debentures they help place, at a price of \$0.50 per common share for a 24-month period following the closing date.

The Company used the residual value method to allocate the principal amount of the debentures between the liability, the equity component of the debentures and the warrants. Under this method, an amount of \$238,838 and \$668,090 related to the conversion feature and the warrants issued were recorded in condensed interim consolidated statements of changes in equity as at the date of issuance. The fair value of the liability component of \$1,673,174 was computed as the present value of future principal and interest, discounted at a rate of 30%, net of the prorated share of transaction costs.

The movement during the six-month period ended June 30, 2025 and twelve-month period ended December 31, 2024, relating to those debentures, was as follows:

	2025 June 30	2024 December 31
Balance at the beginning of the year	2,001,270	1,757,317
Balance at inception or beginning of the year	2,001,270	1,757,317
Interest and accretion of debentures	144,561	237,987
Amortization of financing issuance costs	2,983	5,966
Balance at the end of the period	2,148,814	2,001,270

As at June 30, 2025, \$213,926 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities (December 31, 2025 - \$24,250).

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.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

13 - DEBENTURES (CONTINUED)

13.4 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.

During the month of January 2024, the holders of these above mentioned convertible debentures waived their right to receive the interest amounting \$192,876 due to them by the Company up until the conversion dates that occurred between January 5 and 8, 2024. In addition, on December 31, 2024, the other holder waived the right to receive the interest amounting \$315,323 due to them by the Company up until that day. In total, \$508,199 of interests were relinquished and were recorded as a credit in finance costs with an equivalent amount that was reversed by the Company from accounts payable, advances and accrued liabilities as at December 31, 2024.

During the first quarter of 2025, convertible debentures having a nominal value of \$2,250,000 were converted into common shares of the Company. At the date of conversion, these debentures had an amortized cost totalling \$1,757,257. The Company issued 9,000,000 common shares to the debenture holders and recorded \$1,953,853 in share capital which included the reclassification of the equity component of convertible debentures initially recorded at inception totalling \$196,596.

The movement during the six-month period ended June 30, 2025 and twelve-month period ended December 31, 2024, relating to those debentures, was as follows:

	2025 June 30	2024 December 31
Balance at the beginning of the year	2,039,815	5,221,201
Balance at inception or beginning of the year	2,039,815	5,221,201
Conversion of debentures	(1,757,257)	(3,423,738)
Interest and accretion of debentures	29,874	242,352
Balance at the end of the period	312,432	2,039,815

As at June 30, 2025, \$28,333 of interest payable on debentures is recorded in accounts payable, advances and accrued liabilities (December 31, 2024 - \$16,250).

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

13 - DEBENTURES (CONTINUED)

13.5 Debenture issuance of September 8, 2023

On September 8, 2023, the Company issued 710 units of convertible debentures to Insiders for gross contractual proceeds of \$710,000 (net proceeds of \$710,000 after related expenses). Each unit sold comprised of \$1,000 face value debentures, maturing on September 8, 2026, bearing interest at a nominal rate of 10% payable monthly, for a total of 2,840,000 purchase warrants, exercisable into Company common shares at \$0.50 per share for a period of 24 months from the date of issuance.

The debentures, at issuance, allowed their subscribers to convert them into common shares of the Company at any time prior to maturity, subject to certain terms and conditions, at \$0.25 per common share.

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

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

The movement during the six-month period ended June 30, 2025 and twelve-month period ended December 31, 2024, relating to those debentures, was as follows:

	2025 June 30	2024 December 31
Balance at the beginning of the year	544,405	–
Addition	–	480,543
Balance at inception or beginning of the year	544,405	480,543
Interest and accretion of debentures	38,792	63,862
Balance at the end of the period	583,196	544,405

As at June 30, 2025, \$127,972 of interest payable on debentures is recorded in accounts payable, advances and accrued liabilities (December 31, 2024 – \$500).

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

13 - DEBENTURES (CONTINUED)

13.6 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 \$1,373,335 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 used to repay the secured corporate bonds (note 14). In addition, \$1,110,000 worth of units were used to repay some of the promissory notes holders (note 16).

The debentures, at issuance, allowed their subscribers to convert them into common shares of the Company at any time prior to maturity, subject to certain terms and conditions, at \$0.15 per common share.

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

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

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

On October 24, 2024, convertible debentures having a nominal value of \$125,000 were converted into common shares of the Company. At the date of conversion, these debentures had an amortized cost totalling \$73,843. The Company issued 833,333 common shares to the debenture holders and recorded \$81,802 in share capital which included the reclassification of the equity component of convertible debentures initially recorded at inception totalling \$7,959.

On November 4, 2024, convertible debentures having a nominal value of \$100,000 were converted into common shares of the Company. At the date of conversion, these debentures had an amortized cost totalling \$60,158. The Company issued 666,667 common shares to the debenture holders and recorded \$66,525 in share capital which included the reclassification of the equity component of convertible debentures initially recorded at inception totalling \$6,367.

During the first quarter of 2025, convertible debentures having a nominal value of \$375,000 were converted into common shares of the Company. At the date of conversion, these debentures had an amortized cost totalling \$236,765. The Company issued 2,500,000 common shares to the debenture holders and recorded \$260,640 in share capital which included the reclassification of the equity component of convertible debentures initially recorded at inception totalling \$23,875.

The movement during the six-month period ended June 30, 2025 and twelve-month period ended December 31, 2024, relating to those debentures, was as follows:

	2025 June 30	2025 June 30
Balance at the beginning of the year	863,944	–
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 year	863,944	823,488
Conversion of debentures	(236,765)	(134,001)
Interest and accretion of debentures	54,449	119,388
Amortization of financing issuance costs	20,346	55,070
Balance at the end of the period	701,974	863,944

As at June 30, 2025, \$131,956 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities (December 31, 2024 – \$80,787).

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

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

13 - DEBENTURES (CONTINUED)

- (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.

13.7 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 used to repay for consulting services rendered by an 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 consolidated statements of changes in equity. The fair value of the liability component of \$568,768 was computed as the present value of future principal and interest, discounted at a rate of 32%, net of the prorated share of transaction costs.

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

In addition, during the month of December 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 on June 27, 2024. In total, \$17,774 of interests were relinquished and were recorded as a credit in finance costs with an equivalent amount that was reversed by the Company from accounts payable, advances and accrued liabilities as at December 31, 2024.

The movement during the six-month period ended June 30, 2025 and twelve-month period ended December 31, 2024, relating to those debentures, was as follows:

	2025 June 30	2025 June 30
Balance at the beginning of the year	326,979	–
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 year	326,979	568,768
Conversion of debentures	–	(300,408)
Interest and accretion of debentures	25,987	46,438
Amortization of financing issuance costs	5,508	12,181
Balance at the end of the period	358,474	326,979

As at June 30, 2025, \$49,500 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities (December 31, 2024 - \$24,750).

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

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

13 - DEBENTURES (CONTINUED)

- (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.

13.8 Debenture issuance of April 16, 2024

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

Out of the total funds raised from the convertible debenture units issued on April 16, 2024, \$20,000 worth of units were used to repay a bond holder balance (refer to note 14). In addition, \$475,000 worth of units were used to repay advances previously received from a company owned by an Officer and Director of the Company (refer to note 11).

The debentures, at issuance, allowed their subscribers to convert them into common shares of the Company at any time prior to maturity, subject to certain terms and conditions, at \$0.15 per common share.

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

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

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

On August 19, 2024, convertible debentures having a nominal value of \$425,000 were converted into common shares of the Company. At the date of conversion, these debentures had an amortized cost totalling \$251,193. The Company issued 2,833,333 common shares to the debenture holders and recorded \$280,594 in share capital which included the reclassification of the equity component of convertible debentures initially recorded at inception totalling \$29,401.

On October 15, 2024, convertible debentures having a nominal value of \$780,000 were converted into common shares of the Company. At the date of conversion, these debentures had an amortized cost totalling \$474,897. The Company issued 5,200,000 common shares to the debenture holders and recorded \$528,858 in share capital which included the reclassification of the equity component of convertible debentures initially recorded at inception totalling \$53,961.

In addition, during the month of December 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 on August 19, 2024 and October 15, 2024 respectively. In total, \$53,392 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 11) as at December 31, 2024.

The movement during the six-month period ended June 30, 2025 and twelve-month period ended December 31, 2024, relating to those debentures, was as follows:

	2025 June 30	2025 June 30
Balance at the beginning of the year	535,325	-
Addition	-	2,015,000
Issuance costs allocated to the debenture component	-	(97,549)
Conversion component of convertible debenture	-	(161,743)
Contributed surplus for the warrants	-	(598,239)
Balance at inception or beginning of the year	535,325	1,157,469
Conversion of debentures	-	(726,090)
Interest and accretion of debentures	40,910	88,123
Amortization of financing issuance costs	4,584	15,823
Balance at the end of the period	580,819	535,325

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

13 - DEBENTURES (CONTINUED)

As at June 30, 2025, \$92,684 of interest payable on debenture is recorded in accounts payable, advances and accrued liabilities (December 31, 2024 - \$22,969).

The fair value of the 117.3 non-transferable broker unit warrants was calculated at \$39,768 and was recorded as issuance costs prorated between the equity and liability components of the convertible debentures. The equivalent opposite amount was recorded in contributed surplus within the condensed interim consolidated statements of changes in equity. The fair value was calculated using the Black & Scholes option pricing model with the following assumptions:

Share price at the date of grant	\$0.09
Expected life	2 years
Risk-free interest rate	4.21%
Expected volatility	129.74%
Dividend	0%
Exercise price at the date of grant (1)	\$0.15 and \$0.25

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

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

14 - 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").

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 six-month period ended June 30, 2025.

The movement during the six-month period ended June 30, 2025 and twelve-month period ended December 31, 2024, relating to these bonds, were as follows:

	2025 June 30	2024 December 31
Balance at the beginning of the year	230,000	400,000
Payment	(15,000)	(170,000)
Balance at the end of the period	215,000	230,000

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

15 - CEBA LOAN (Canada Emergency Business Account)

On April 20, 2020, the Company applied for and received \$40,000 under the Canada Emergency Business Account (CEBA). Further, on September 1, 2021, through its acquisition of Cubeler, the Company acquired an additional CEBA loan totaling \$60,000. Under this program providing interest-free loans, repaying the balance of the loan on or before January 18, 2024, will result in loan forgiveness of approximately 30% (\$30,000), which was the intention of the Company. Subsequent to year-end 2021, the Government of Canada announced that the deadline to repay loans under the Canada Emergency Business Account program would be extended by one year (that is from December 31, 2022 to December 31, 2023). As at January 1, 2024, the loan balance bear interest at 5% and will be repayable on maturity on December 31, 2025. On January 17, 2024, the company repaid \$66,800 of its CEBA loan which resulted in a loan forgiveness of \$20,000. The balance outstanding of the CEBA loan as at June 30, 2025 was \$13,200.

16 - PROMISSORY NOTES PAYABLE

During the six-month period ended June 30, 2025, the Company entered into short term promissory note agreement with certain investor for a total amount of \$50,000, with an annual interest rate of 10% and maturing on January 31, 2025. During the same period, a cumulative amount of \$1,238,500 was repaid from the proceeds of the private placement closed on March 13, 2025. The balance outstanding of the promissory notes as at June 30, 2025 was \$Nil (December 31, 2024 - \$1,188,500).

17 - LOAN PAYABLE

During the fourth quarter of 2024, the Company entered into a loan agreement with an insurance provider (Directors and Officers insurance) at an effective annual interest rate of 8.10% payable in ten instalments and maturing in October 1, 2025. This loan was a non-cash transaction, directly with the insurance provider. The balance outstanding of the loan as at June 30, 2025 was \$284,464 (December 31, 2024 - \$470,654).

18 - CREDIT FACILITY

On July 22, 2024, the Company announced that it has secured a credit facility of up to \$5,000,000, allowing the Company drawdown up to \$5M over a twelve-month period by sending drawdown notices to a lender. No drawdown notice can exceed \$500,000 and there must be at least five business days between each drawdown notice. The Company will pay interest at an annual rate of 10% on any amount drawn from the Credit Facility and will have up to twenty-four months from the date of the drawdown notice to repay the amount advanced by a lender. The Credit Facility is guaranteed by assets pledged by a collection of the Company shareholders in a separate collateral agreement between a lender and the shareholders. As at December 31, 2024, the Company has received drawdown for a total of \$600,000.

During the six-month period ended June 30, 2025, the amount totalling \$295,426 was repaid from the previously outstanding balance of the credit facility outstanding. The balance outstanding of the credit facility as at June 30, 2025 was \$Nil (December 31, 2024 - \$295,426).

19 - SHAREHOLDERS' EQUITY

19.1 Authorized share capital

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

19.2 Description of the shareholders' equity operations during the six-month periods ended June 30, 2025

- a) During the six-month period ended June 30, 2025, the Company issued a total of 2,090,968 shares as payment to consultants and services providers for a total of \$149,300 worth of debt.
- b) During the six-month period ended June 30, 2025 and as mentioned in note 13.2, 13.4 and 13.6, convertible debentures having a nominal value of \$2,675,000 and an amortized costs of \$2,042,826 were converted into 12,000,000 common shares. The Company recorded a total of \$2,263,297 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 \$220,471.
- c) On March 13, 2025, the Company announced to issue 72,983,340 units of shares and warrants for gross contractual proceeds of \$3,649,167 (net proceeds of \$3,381,667 after related expenses). Each unit sold comprised of one common share and one common share purchase warrant exercisable into Company common shares at \$0.15 per share for a period of 24 months from the date of issuance. Consequently, \$1,277,464 and \$2,371,703 were credited to contributed surplus and capital stock respectively. The fair value of the 1,600,000 finder's warrants was calculated at \$34,472 and recorded as issuance of broker compensation warrants in the condensed interim consolidated statements of changes in equity as at the date of issuance. Out of the total funds raised from the shares and warrants units issued on March 13, 2025, \$1,238,500 worth of proceeds were used to repay a promissory note payable (refer to note 16), and \$250,426 worth of proceeds were used to repay a credit facility (refer to note 18).

19.3 Description of the shareholders' equity operations during the six-month periods ended June 30, 2024

- a) On January 3, 2024, the company issued 269,814 common shares to the business managers of the Company's subsidiary Steelchain, in accordance with the amended assets purchase and performance agreement of the Steelchain acquisition effective from October 1, 2022. The payment in shares was for the performance based compensation up to December 31, 2023 totalling \$539,628 which was settled in common shares at the minimum price of \$2 per share.
- b) During the period ended June 30, 2024 and as mentioned in note 13.4 and 15.7, convertible debentures having a nominal value of \$5,505,000 and an amortized costs of \$3,724,146 were converted into 23,366,667 common shares. The Company recorded a total of \$4,193,007 in share capital which represents the amortized cost of the debentures and the fair value of the related conversion option initially recorded at inception totalling \$468,861.

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

19 - SHAREHOLDERS' EQUITY (CONTINUED)

19.4 Warrants

The outstanding warrants movement as at June 30, 2025 and December 31, 2024 and the respective changes during the year, are summarized as follows:

	June 30, 2025		December 31, 2024	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	144,459,996	0.35	55,054,996	0.66
Granted	74,583,340	0.15	92,664,900	0.22
Expired	(8,023,096)	2.00	(3,259,900)	2.00
Outstanding and exercisable, end of period	211,020,240	0.25	144,459,996	0.35

As at June 30, 2025, and December 31, 2024, the number of outstanding warrants which could be exercised for an equivalent number of common shares.

	June 30, 2025		December 31, 2024	
	Number	Exercise price	Number	Exercise price
Expiration date				
January, 2025	–	–	3,510,000	2.00
January, 2025	–	–	221,250	2.00
June, 2025	–	–	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	10,732,260	0.25
February, 2026	4,966,170	0.25	4,966,170	0.25
February, 2026	1,699,830	0.25	1,699,830	0.25
April, 2026	10,265,640	0.25	10,265,640	0.25
April, 2026	1,900,000	0.50	1,900,000	0.50
September, 2027	38,075,000	0.20	38,075,000	0.20
September, 2027	2,054,000	0.20	2,054,000	0.20
October, 2027	1,000,000	0.20	1,000,000	0.20
November, 2027	8,650,000	0.20	8,650,000	0.20
November, 2027	280,000	0.20	280,000	0.20
November, 2027	11,010,000	0.20	11,010,000	0.20
November, 2027	60,000	0.20	60,000	0.20
December, 2027	1,900,000	0.20	1,900,000	0.20
December, 2027	72,000	0.20	72,000	0.20
March, 2027	72,983,340	0.15	–	–
March, 2027	1,600,000	0.15	–	–
	211,020,240		144,459,996	

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.

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

20 - SHARE-BASED PAYMENTS (CONTINUED)

The outstanding options movement as at June 30, 2025 and December 31, 2024, are summarized as follows:

	June 30, 2025		December 31, 2024	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of year	2,706,440	2.26	3,379,098	2.04
Expired	(745,500)	1.00	(595,000)	1.01
Forfeited	—	—	(77,658)	2.27
Outstanding at the end of period	1,960,940	2.74	2,706,440	2.26
Exercisable at the end of period	1,960,940	2.74	2,697,849	2.26

The table below summarizes the information related to outstanding share options as at June 30, 2025.

Maturity date	Range of exercise price	Number of options	Weighted average remaining contractual life (years)
October 28, 2025	1.50	1,075,000	3 months
November 6, 2025	2.70	50,000	4 months
March 22, 2026	5.50	55,000	8 months
July 7, 2026	4.10	700,000	12 months
October 28, 2026	11.50	25,000	1 years and 3 months
January 1, 2027	7.50	9,312	1 years and 6 months
February 1, 2027	5.60	4,256	1 years and 7 months
April 1, 2027	4.16	8,865	1 years and 9 months
July 1, 2027	1.65	1,971	2 years and 0 months
December 1, 2027	0.85-1.32	10,055	2 years and 5 months
February 1, 2028	0.95	21,481	2 years and 7 months
		1,960,940	

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

Maturity date	Range of exercise price	Number of options	Weighted average remaining contractual life (years)
June 11, 2025	1.00	745,500	5 months
October 28, 2025	1.50	1,075,000	9 months
November 6, 2025	2.70	50,000	10 months
March 22, 2026	5.50	55,000	1 years and 2 months
July 7, 2026	4.10	700,000	1 years and 6 months
October 28, 2026	11.50	25,000	1 years and 9 months
January 1, 2027	7.50	9,312	2 years and 0 months
February 1, 2027	5.60	4,256	2 years and 1 months
April 1, 2027	4.16	8,865	2 years and 3 months
July 1, 2027	1.65	1,971	2 years and 6 months
December 1, 2027	0.85-1.32	10,055	2 years and 11 months
February 1, 2028	0.95	21,481	3 years and 1 months
		2,706,440	

During the six-month period ended June 30, 2025, the Company recorded an \$258 related to share-based payments (June 30, 2024 - \$8,375) to the condensed interim consolidated statements of comprehensive profit and loss and contributed surplus.

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 \$3,649,920 as at June 30, 2025 (December 31, 2024 - \$3,716,242).

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

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

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

22 - FINANCIAL INSTRUMENTS

22.1 Classification of financial instruments

As at June 30, 2025, the carrying amount of financial assets and financial liabilities were as follows:

		June 30, 2025	
	Assets and liabilities carried at fair value	Assets and liabilities carried at amortized cost	Total carrying value
Financial assets			
Cash	–	591,930	591,930
Restricted Cash	–	3,649	3,649
Debtors	–	4,267,620	4,267,620
Loans receivable	–	17,507,638	17,507,638
Deposit	–	89,126	89,126
Other equity investments	952,000	–	952,000
Other current assets	–	6,642,683	6,642,683
	952,000	29,102,646	30,054,646
Financial liabilities			
Accounts payable, advances and accrued liabilities	–	20,239,991	20,239,991
Bonds	–	215,000	215,000
CEBA Loan	–	13,200	13,200
Debentures	–	5,210,710	5,210,710
Loan payable	–	284,464	284,464
	–	25,963,365	25,963,365

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

		December 31, 2024	
	Assets and liabilities carried at fair value	Assets and liabilities carried at amortized cost	Total carrying value
Financial assets			
Cash	–	890,085	890,085
Restricted Cash	–	3,840	3,840
Debtors	–	4,418,440	4,418,440
Loans receivable	–	18,245,886	18,245,886
Deposit	–	86,442	86,442
Other equity investments	985,500	–	985,500
Other current assets	–	7,733,174	7,733,174
	985,500	31,377,867	32,363,367
Financial liabilities			
Accounts payable, advances and accrued liabilities	–	20,014,827	20,014,827
Bonds	–	230,000	230,000
CEBA Loan	–	13,200	13,200
Debentures	–	6,976,475	6,976,475
Promissory note payable	–	1,188,500	1,188,500
Loan payable	–	470,654	470,654
Credit facility	–	295,426	295,426
	–	29,189,082	29,189,082

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

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 years.

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 4 & 5.2). The credit risk is not significant for other financial instruments.

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

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

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

	June 30, 2025		
	Current		Long-term
	Within 6 months	6 to 12 months	More than 12 months
Accounts payable, advances and accrued liabilities	20,239,991	–	–
Bonds	215,000	–	–
CEBA loan	13,200	–	–
Debentures	525,000	–	5,998,000
Loan payable	284,464	–	–
	21,498,655	–	5,998,000

	December 31, 2024		
	Current		Long-term
	Within 6 months	6 to 12 months	More than 12 months
Accounts payable, advances and accrued liabilities	20,014,827	–	–
Bonds	230,000	–	–
CEBA loan	13,200	–	–
Debentures	670,000	5,933,000	2,690,000
Promissory note payable	1,188,500	–	–
Loan payable	169,772	300,882	–
Credit facility	–	–	295,426
	22,286,299	6,233,882	2,985,426

22.4 Finance costs

The breakdown of finance costs during the six-month period ended June 30, 2025 and 2024 is as follows:

	2025	2024	2025	2024
	June 30	June 30	June 30	June 30
	Three-month	Three-month	Six-month	Six-month
Interest on lease liabilities (note 12)	50,427	72,766	104,124	146,627
Interest on debentures and bonds	172,465	96,831	349,616	325,809
Interest on advances	1,625	5,752	53,250	5,752
Interest on credit facility	–	–	7,386	–
Interest on finance lease	(1,012)	(1,235)	(2,130)	(1,235)
Accretion on debentures and bonds	167,263	251,576	338,170	435,247
Interest on debentures relinquished	–	192,876	–	–
Interest, loan payable	5,121	9,215	12,726	22,888
Interest, promissory note payable	–	17,106	24,637	33,258
Total interest expense	395,889	644,887	887,779	968,346
Interest income	(1,502)	(5,405)	(3,040)	(11,591)
Miscellaneous	18,164	45,028	52,674	58,761
Total Finance costs	412,551	684,510	937,413	1,015,516

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

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 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 (started on January 1, 2025), the COO, the CEO of the China operations and the members of the Board. Their remuneration includes the following expenses:

	2025 June 30 Three-month	2024 June 30 Three-month	2025 June 30 Six-month	2024 June 30 Six-month
Salaries and fringe benefits	405,385	467,746	810,770	935,461
	405,385	467,746	810,770	935,461

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

As at June 30, 2025, and 2024 the condensed interim consolidated statements of financial position includes the following amounts with related parties:

	2025 June 30	2024 December 31
Advances paid to a Director, no interest	-	1,809
Other current assets, no interest (1)	2,500,000	2,500,000
Total amounts owed to the Company by related parties	2,500,000	2,501,809
Advances received from a company owned by a Director, no interest (2)	704,091	720,983
Debentures, with interest (1)	2,576,185	2,407,008
Debentures, interest payable (3)	339,713	181,463
Total amount owed to related parties by the Company	3,619,989	3,309,454

- (1) 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 13.4. 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 13.5. As at December 31, 2024, out of the total \$2,710,000 of convertible debentures sold to related parties, \$210,000 were collected by the Company in Canada and \$2,500,000 are recorded in other current assets (note 6). On April 16, 2024, the Company sold 2,015 units of convertible debentures (including 475 units to related parties at the time of the closing date) for gross proceeds of \$2,015,000 (including \$475,000 to related parties) as described in note 13.8. The \$475,000 worth of units were used to repay advances previously received from a company owned by a Director of the Company in order to partially repay the balance owed to him by the Company (refer to note 11). The amortized cost of the debentures due to related parties totalling \$2,576,185 are recorded in Debentures (note 13).
- (2) During the course of 2023 and 2024, a Company owned by a Director of the Company, made a series of short-term loans to Asia Synergy Holding Inc. ("ASH"), a wholly owned subsidiary of the Company. The balance of the net advances received from a Company owned by a Director at no interest as at June 30, 2025 is \$704,091 (December 31, 2024 - \$720,983) 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 11).
- (3) As at June 30, 2025, \$339,713 of debentures, interest payable due to related parties are recorded in accounts payable, advances and accrued liabilities (note 11).

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

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.

The segment information for the six-month periods ended June 30, 2025, and 2024, are as follows:

	Six-month period ended June 30, 2025				
	Fintech Platform	Financial Services	Other	Elimination	Total
Revenues (1)					
Financial service revenue from external customers	–	68,823	–	–	68,823
Fees and sales from external customers	124,199	81,816	311,613	–	517,628
Other rental income from a sublease	–	–	26,280	–	26,280
Inter-segment	329,943	–	–	(329,943)	–
Total revenues	454,142	150,639	337,893	(329,943)	612,731
Expenses					
Depreciation and amortization	506,609	38,687	136,278	–	681,574
Finance costs	20,601	12,897	903,915	–	937,413
Expected credit loss	–	56,852	–	–	56,852
Change in fair value of contingent consideration	(371,280)	–	371,280	–	–
Cost of service, supply chain	–	–	128,311	–	128,311
All other expenses	1,185,660	335,751	2,908,294	(329,943)	4,099,762
Total expenses	1,272,789	444,187	4,448,078	(329,943)	5,835,111
Profit (loss) before tax	(818,647)	(293,548)	(4,110,185)	–	(5,222,380)
Income tax (recovery)	(6,914)	–	–	–	(6,914)
Net profit (loss)	(811,733)	(293,548)	(4,110,185)	–	(5,215,466)
Non-controlling interest	(143,099)	(74,022)	–	–	(217,121)
Net profit (loss) attributable to: Owners of the parent	(668,634)	(219,526)	(4,110,185)	–	(4,998,345)
Segmented assets	10,013,951	18,525,844	6,498,696	–	35,038,491

(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.

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

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

24 - SEGMENT REPORTING (CONTINUED)

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

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

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

	2025 June 30	2024 December 31
	Non-current Assets	Non-current Assets
China	3,393,113	3,413,212
Canada	1,091,826	1,987,480
	4,484,939	5,400,692

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

25 - NON-CONTROLLING INTERESTS

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

Entities	2025	2024
	June 30	December 31
	% ownership and voting rights held by NCIs	% ownership and voting rights held by NCIs
Asia Synergy Supply Chain Ltd. ("ASSC")	49%	49%
Asia Synergy Financial Capital Ltd. ("ASFC")	49%	49%
Beijing Kailifeng New Energy Technology Co., Ltd. ("KALIFENG")	57.5%	57.5%
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	
	2025	2024	2025	2024
	June 30	June 30	June 30	December 31
Asia Synergy Supply Chain Ltd. ("ASSC")	(13,572)	(606,712)	178,519	192,090
Asia Synergy Financial Capital Ltd. ("ASFC")	(192,974)	(163,221)	12,028,249	12,221,223
Wechain (Nanjing) Technology Service Co., Ltd. ("WECHAIN")	(11,895)	(144,270)	(160,269)	(148,374)
Kailifeng New Energy Technology Co., Ltd. ("KALIFENG")	(79,654)	(215,372)	907,583	987,237
Shanghai Xinhuzhi Supply Chain Management Ltd. ("ASAC")	1,256	2,373	(231)	(1,487)
Jiangsu Supairui IOT Technology Co., Ltd. ("ASTH") (1)	(1,050)	(16,865)	(107,422)	(106,372)
	(297,889)	(1,144,067)	12,846,428	13,144,317

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

No dividends were paid to NCIs during the six-month periods ended June 30, 2025 and 2024.

TENET FINTECH GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six-month periods ended June 30, 2025, and 2024

(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	
	2025 June 30	2024 December 31	2025 June 30	2024 December 31	2025 June 30	2024 December 31	2025 June 30	2024 December 31	2025 June 30	2024 December 31	2025 June 30	2024 December 31	2025 June 30	2024 December 31
Current assets	2,234,865	2,313,508	24,959,719	25,987,043	–	494,954	2,075,399	2,032,719	6,719	6,815	11,273	11,711	29,287,975	30,846,750
Non-current assets	–	54	184,956	218,311	–	108,812	355,578	491,584	288	298	798	2,577	541,620	821,636
	2,234,865	2,313,562	25,144,674	26,205,354	–	603,766	2,430,977	2,524,303	7,007	7,113	12,071	14,288	29,829,594	31,668,386
Current liabilities	291,048	300,939	51,527	48,659	–	283,071	265,006	218,675	–	1	111,168	115,113	718,749	966,458
Non-current liabilities	64,830	67,111	258,302	295,206	–	600,205	1,020,577	1,049,763	4,760	4,928	449,890	465,722	1,798,359	2,482,935
	355,878	368,050	309,829	343,865	–	883,276	1,285,583	1,268,438	4,760	4,929	561,058	580,835	2,517,108	3,449,393
Equity attributable to owners of the parent	185,805	199,930	12,519,198	12,720,048	(166,811)	(154,430)	670,821	729,696	(240)	(1,547)	(429,687)	(425,487)	12,779,086	13,068,210
Non-controlling interests	178,519	192,090	12,028,249	12,221,223	(160,269)	(148,374)	907,583	987,237	(231)	(1,487)	(107,422)	(106,372)	12,846,428	13,144,317

	ASSC		ASFC		Wechain		Kaifeng		ASAC		ASTH (1)		Total	
	2025 June 30	2024 June 30	2025 June 30	2024 June 30	2025 June 30	2024 June 30	2025 June 30	2024 June 30	2025 June 30	2024 June 30	2025 June 30	2024 June 30	2025 June 30	2024 June 30
Revenue	–	–	68,823	214,116	30,657	9,108	–	22,108	–	–	–	–	99,480	245,333
Profit for the year attributable to the owners of the parent	(27)	(595,911)	(77,043)	(50,281)	(11,593)	(147,114)	(97,201)	(231,615)	(15)	(20)	(1,653)	(66,324)	(187,532)	(1,091,265)
Profit for the year attributable to NCIs	(26)	(572,543)	(74,022)	(48,309)	(11,139)	(141,345)	(131,507)	(222,532)	(14)	(19)	(413)	(16,581)	(217,121)	(1,001,329)
Profit (loss) for the year	(53)	(1,168,454)	(151,065)	(98,590)	(22,732)	(288,459)	(228,708)	(454,147)	(29)	(40)	(2,066)	(82,905)	(404,653)	(2,092,594)
Other comprehensive income ("OCI") for the year														
OCI attributable to the owners of the parent	(14,100)	(35,564)	(123,807)	(119,602)	(788)	(3,044)	38,326	7,452	1,323	2,490	(2,545)	(1,136)	(101,591)	(149,404)
OCI attributable to NCIs	(13,547)	(34,169)	(118,952)	(114,912)	(757)	(2,925)	51,853	7,160	1,271	2,392	(636)	(284)	(80,768)	(142,738)
OCI for the year	(27,647)	(69,733)	(242,759)	(234,514)	(1,545)	(5,969)	90,179	14,612	2,594	4,882	(3,181)	(1,420)	(182,359)	(292,142)
Total comprehensive income for the year attributable to the owners of the parent	(14,127)	(631,475)	(200,850)	(169,883)	(12,381)	(150,158)	(58,875)	(224,163)	1,308	2,470	(4,198)	(67,460)	(289,123)	(1,240,669)
Total comprehensive income for the year attributable to NCIs	(13,572)	(606,712)	(192,974)	(163,221)	(11,895)	(144,270)	(79,654)	(215,372)	1,256	2,373	(1,050)	(16,865)	(297,889)	(1,144,067)
Total comprehensive profit and loss for the year	(27,700)	(1,238,187)	(393,824)	(333,104)	(24,276)	(294,428)	(138,529)	(439,535)	2,565	4,842	(5,248)	(84,325)	(587,012)	(2,384,736)
Net cash used in operating activities	18,206	699,939	836,438	(434,445)	5,920	(3,686)	(244,928)	(5,042)	(187)	(11,560)	(977)	117	614,472	245,323
Net cash used in investing activities	1	40	37,224	(11,280)	249,154	(13,237)	6,818	(20,922)	64	–	334	(2)	293,595	(45,401)
Net cash from financing activities	–	–	(29,179)	(28,120)	(277,032)	1,094	112,407	13,886	–	9,879	–	–	(193,804)	(3,261)
Foreign exchange differences	(18,250)	(12,043)	(875,579)	–	25,357	–	5,829	–	91	–	637	–	(861,915)	(12,043)
	(43)	687,936	(31,096)	(473,845)	3,399	(15,829)	(119,674)	(12,078)	(32)	(1,681)	(6)	115	(147,652)	184,618

(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

For the six-month periods ended June 30, 2025, and 2024

(In Canadian dollars)

(Unaudited)

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 consolidated financial statements. Although it is possible that liabilities may be incurred in instances where no provision has been made, the Company has no reason to believe that the ultimate resolution of such matters will have a material impact on its financial position.

27 - ECONOMIC DEPENDANCE

The Company generates approximately 83% of its revenues from third customers and partners with one financial institution for capital support when leveraging the deposits made for transactions on platforms (refer to note 5.2). Should these customers or financial institutions substantially change their dealings with the Company, management is of the opinion that revenues would be significantly impacted and continued viable operations would be doubtful.

28 - SUBSEQUENT EVENTS

28.1 Repayment of debentures, loan and credit facility

From July 1, 2025 to October 3, 2025, the Company repaid a total of \$25,000 worth of debentures which expired on January 23, 2025. During the same period, the Company also repaid \$142,500 worth of secured corporate bonds.