

# **TEVANO SYSTEMS HOLDINGS INC.**

## **Management's Discussion & Analysis**

**For the year ended June 30, 2023**

(Expressed in Canadian dollars)

This Management's Discussion & Analysis ("MD&A") of Tevano Systems Inc. ("Tevano" or the "Company") supplements, but does not form part of, the audited consolidated financial statements and the notes thereto as at and for the years ended June 30, 2023 and 2022 (collectively referred to hereafter as the "financial statements").

The Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All amounts are presented in Canadian dollars, the Company's presentation currency, unless otherwise stated. In addition, other information contained in this document has been prepared by management and is consistent with the data contained in the financial statements.

The Company's certifying officers are responsible for ensuring that the financial statements and MD&A do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's certifying officers certify that the financial statements together with the other financial information included in the filings fairly present in all material respects the financial condition, financial performance, and cash flows of the Company as of the date of and for the periods presented in the filings.

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The years ended June 30, 2023 and 2022 are referred to as "fiscal 2023" and "fiscal 2022" respectively. All amounts are presented in Canadian dollars unless otherwise noted.

This MD&A provides management's comments on the Company's operations for the three and twelve-month periods ended June 30, 2023 and 2022, and the Company's financial condition as at June 30, 2023, as compared with the prior fiscal year-end.

The Company's Board of Directors provides an oversight role with respect to all public financial disclosures by the Company.

For a complete understanding of the Company's business environment, risks and uncertainties and the effect of accounting estimates on its results of operations and financial condition, this MD&A should be read together with the Company's financial statements.

Additional information relating to the Company is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Information in this MD&A is prepared as of February 13, 2025.

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## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

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Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "estimate", "will", "expect", "plan", "intend", or similar words suggesting future outcomes or an outlook. Forward-looking information in this document includes, but is not limited to:

- The Company's business plan and investment strategy; and
- general business strategies and objectives.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect. Assumptions have been made with respect to the following matters, in addition to any other assumptions identified in this document:

- taxes and capital, operating, general and administrative as well as other costs;
- general business, economic and market conditions;
- the ability of the Company to obtain the required capital to finance its investment strategy and meet its commitments and financial obligations;
- the ability of the Company to obtain services and personnel in a timely manner and at an acceptable cost to carry out activities; and
- the timely receipt of required regulatory approvals.

Although the Company believes that the expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on them as there can be no assurance that such expectations will prove to be correct. Forward-looking information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially than anticipated and described in the forward-looking information. The material risks and uncertainties include, but are not limited to:

- meeting current and future commitments and obligations;
- general business, economic and market conditions;
- the uncertainty of estimates and projections relating to future costs and expenses;
- changes in, or in the interpretation of, laws, regulations, or policies;
- the ability to obtain required regulatory approvals in a timely manner;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document.

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" herein. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

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## **DESCRIPTION OF BUSINESS**

The Company was incorporated under the laws of British Columbia, Canada on March 23, 2000. The Company's head office and principal address are Suite 1303 - 1030 West Georgia Street, Vancouver, BC, V6E 2Y3. The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol "TEVO" and on the Frankfurt exchange under the symbol "7RB".

Tevano is actively pursuing business ventures in the technology sector with an emphasis on acquiring, developing, and commercializing emerging technologies.

### **Share consolidation**

On June 13, 2022, the Company completed a consolidation of its common shares on a three and one-half to one basis. All share and per share amounts have been retrospectively adjusted to reflect the consolidation. Any references to common shares are on a post-consolidation basis. The numbers of warrants and stock options and their respective exercise prices have been retrospectively adjusted to reflect the effects of the consolidation.

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## **HIGHLIGHTS AND OVERALL PERFORMANCE**

### **a) Termination of Software Development Agreement**

On September 16, 2022, the Company and Caza, LLC ("Caza"), a non-related party, mutually agreed to terminate the software development agreement. The software development agreement was initially entered into on December 21, 2021, and amended on June 14, 2022, for back-end design, development, testing, and assistance for cyber security technology.

Per the termination agreement, the Company transferred its right to the in-process research and development project constituting the cyber security software that was initially acquired in the acquisition of Illuria Security Inc. ("Illuria") on December 17, 2021. In exchange, Caza returned 2,627,993 common shares of Tevano with a fair value of \$157,680 and forgave technology development costs payable of \$127,262. Accordingly, during the fiscal 2023, \$284,942 (2022 - \$nil) was recorded as a gain on termination of software development agreement.

### **b) Acquisition of Aqua-Eo**

On April 27, 2023, Tevano acquired a 100% ownership interest in Aqua-Eo Ltd ("Aqua-Eo"), a green lithium technology company, for 18,995,000 common shares of Tevano issued to the shareholders of Aqua-Eo ("Aqua-Eo Acquisition"). The Aqua-Eo acquisition was structured as a merger between Aqua-Eo and Tevano's wholly owned subsidiary 2501415 Alberta Ltd. The Company issued an aggregate of 1,899,500 common shares to finders in the Aqua-Eo acquisition.

**c) Shares and warrants highlights during the year ended June 30, 2023**

On May 29, 2023, pursuant to a debt settlement agreement, the Company issued 133,333 common shares with a fair value of \$10,667 at \$0.08 per share, to settle \$20,000 in accounts payable and accrued liabilities. As a result of the settlement, the Company recognized a \$9,333 gain on debt settlement.

On April 27, 2023, pursuant to the closing of the Aqua-Eo Acquisition, the Company issued 18,995,000 common shares of the Company to the shareholders of Aqua-Eo at a fair value of \$0.135 per share, for a total fair value of \$2,564,325. The Company issued 1,899,500 common shares to the finders of the acquisition at a fair value of \$0.135 per share for a total fair value of \$256,433.

On April 11, 2023, pursuant to the conversion of the convertible promissory note, the Company issued 843,340 units at \$0.05 per unit to settle \$42,167, of which the principal is \$40,000 and accrued interest is \$2,167. Each unit consists of one common share and one warrant. Each warrant is exercisable to one common share of the Company with an exercise price of \$0.10 per warrant and expires on April 11, 2024. As a result of the conversion of the convertible promissory note, the equity component initially recognized in reserves of \$13,462 was reclassified to share capital, and \$3,045 was recognized into reserves as the residual value for the warrants.

On April 11, 2023, the Company issued 75,000 units to settle an outstanding shareholder's loan of \$7,500 from an officer of the Company at \$0.10 per unit. Each unit consists of one common share and one warrant. Each warrant is exercisable to one common share of the Company with an exercise price of \$0.20 per warrant and expires on April 11, 2025. The fair value of the common shares issued was \$12,375 at \$0.165 per common share and the fair value of the warrants issued was \$12,001 using the Black-Scholes option pricing model. As a result of the settlement, the Company recognized a \$16,876 loss on debt settlement.

On March 31, 2023, pursuant to a debt settlement agreement, the Company issued 1,000,000 common shares to settle a promissory note of \$100,000. The fair value of the common shares issued was \$110,000 at \$0.11 per common share. As a result of the settlement, the Company recognized a \$10,000 loss on debt settlement.

On March 24, 2023, the Company issued 3,050,000 units in a non-brokered private placement at \$0.10 per unit for proceeds of \$305,000, of which \$100,000 was related to a pre-existing subscription deposit from fiscal 2022. Each unit is comprised of one common share and one warrant. Each warrant is exercisable for one common share of the Company until March 24, 2025, with an exercise price of \$0.20 per warrant. The warrants are accounted for under the residual value method. As the fair value of the common shares issued was \$244,000 at \$0.08 per share, the residual amount of \$61,000 was allocated to reserves. In connection with the non-brokered private placements, the Company incurred \$16,100 in cash transaction costs allocated to share capital and issued 155,000 warrants to finders with a fair value of \$11,851 allocated to share capital and reserve.

On February 28, 2023, the Company issued 975,000 units in a non-brokered private placement at \$0.10 per unit for proceeds of \$97,500. Each unit is comprised of one common share and one warrant. Each warrant is exercisable for one common share of the Company until February 28, 2025, with an exercise price of \$0.20. The warrants are accounted for under the residual value method. As the fair value of the common shares issued exceeded the cash proceeds, there was \$nil residual value allocated to warrants. In connection with the non-brokered private placements, the Company incurred \$7,750 in cash transaction costs allocated to share capital and issued 77,500 warrants to finders with a fair value of \$12,025 allocated to share capital and reserve.

On February 22, 2023, the Company issued 285,714 common shares with a fair value of \$40,000 at \$0.14 per common share, to settle \$30,000 in accounts payable and accrued liabilities. As a result of the shares issued for debt settlement, the Company recognized \$10,000 in loss on debt settlement in the profit or loss.

On September 16, 2022, pursuant to the termination agreement with Caza, 2,627,993 of the Company's common shares with a fair value of \$157,680 at \$0.06 per share were returned to treasury. The fair value of the shares returned to treasury was recorded as a gain on the termination of the software development agreement in profit or loss.

**d) Share options highlights during the year ended June 30, 2023**

During the fiscal 2023, the Company cancelled 514,285 share options to officers, directors and consultants of the Company with a weighted average exercise price of \$2.66 and expiry dates between March 19 to 22, 2026. The cancelled options were accounted for as modifications of existing awards with new options granted on November 2, 2022 (below). In connection with the cancelled options, the Company recognized a recovery of share-based compensation of \$260,321 (2022 - \$nil).

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On February 23, 2023, the Company granted 1,400,000 share options to officers, directors, and consultants of the Company with an exercise price of \$0.14 and an expiry date of February 24, 2028, which vested immediately upon issuance. The fair value of these options was estimated at \$195,910 using the Black-Scholes option pricing model.

On November 2, 2022, the Company granted 1,100,000 share options to officers, directors, and consultants of the Company with an exercise price of \$0.05, expiry date of November 2, 2027, which vested immediately upon issuance. The fair value of these options was estimated at \$16,250 using the Black-Scholes option pricing model.

**e) Annual financial information and overall performance**

A summary of the Company's selected financial information from the last three completed financial years ended June 30 is as follows:

	<b>FY 2023</b>	<b>FY 2022</b>	<b>FY 2021</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total revenue	<b>2,175</b>	11,845	74,294
Net loss	<b>(3,622,945)</b>	(4,437,906)	(8,663,490)
Basic and diluted loss per share	<b>(0.12)</b>	(0.18)	(0.52)
Total assets	<b>47,381</b>	74,874	1,614,593

For the year ended June 30, 2023, net loss was \$3,622,945 compared to \$4,437,906 during the prior year comparable period. The reduction in net loss compared to the prior year period resulted primarily from reduced share-based compensation and overall corporate operating expenditures as management implemented significant cost-cutting measures in consulting fees, insurance, investor relations, marketing, professional fees, share-based compensation, but partially offset by increase in technology development expense.

For the year ended June 30, 2021, the net loss includes listing expense of \$2,312,988, inventory impairment of \$657,941, and significantly higher consulting fee fees, professional fees, and investor relations expenses..

## RESULTS OF OPERATIONS

A summary of the Company's results of operations is as follows:

	Q4 2023	Q4 2022	Fiscal 2023	Fiscal 2022
	\$	\$	\$	\$
Revenue	-	1,305	2,175	11,845
Cost of sales	-	(3,661)	(4,177)	(54,879)
<b>Gross loss</b>	-	(2,356)	(2,002)	(43,034)
<b>Operating expenses</b>				
Consulting fees	46,200	93,877	312,820	429,353
Depreciation	209	737	2,253	32,038
Exchange fees	5,762	8,668	34,129	34,707
Insurance	1,944	20,552	7,662	147,836
Investor relations	7,610	24,220	124,996	287,905
Marketing	-	18,211	800	59,493
Office	7,152	10,755	51,993	88,493
Professional fees	107,570	83,975	223,558	723,776
Provision for expected credit losses	5,500	5,288	6,445	5,288
Rent	-	20,162	58,945	40,479
Share based compensation (recovery)	(318,114)	157,459	(3,498)	802,760
Technology development (recovery)	3,261,887	(20,413)	3,261,887	1,998,633
Travel	3,000	18,523	8,221	70,656
	3,128,720	442,014	4,090,211	4,721,417
<b>Operating loss</b>	(3,128,720)	(444,370)	(4,092,213)	(4,764,451)
<b>Other income (expenses)</b>				
Accretion	(2,585)	-	(9,340)	(195,171)
Foreign exchange	5,974	15,934	(8,619)	14,517
Gain on change in fair value of conversion features	-	-	-	591,994
Gain on debt modification	-	-	11,442	-
Gain on debt settlement	139,919	42,475	193,835	28,424
Gain on shares returned to treasury	-	-	-	244,351
Gain on termination on software development agreement	-	-	284,942	-
Impairment of prepaid and deposit	-	(35,000)	-	(231,047)
Impairment on PPE	-	-	(1,699)	-
Interest	(523)	-	(3,901)	(2,387)
Inventory impairment	-	(131,648)	-	(131,648)
Other expenses	-	(34,208)	-	-
Other income	-	926	2,608	7,512
<b>Net loss</b>	(2,985,935)	(585,891)	(3,622,945)	(4,437,906)
Foreign currency translation adjustment	895	(22,253)	(836)	(27,784)
<b>Comprehensive loss</b>	(2,985,040)	(608,144)	(3,623,781)	(4,465,690)

### Q4 2023 compared to Q4 2022

The Company had no sales and no cost of sales during the current period. In the prior year comparable period, the Company had revenue of \$1,305 related to the recognition of the deferred revenue in connection with sales of cloud storage subscriptions during fiscal 2022 and cost of sales of \$3,661 resulting in gross loss of \$2,356.

The Company had operating expenses of \$3,128,720 compared to \$442,014 in the prior year comparable period. The primary drivers of this increase were as follows:

- Technology development increased to \$3,261,887 compared to a recovery of \$20,413 in the prior year comparable period resulting from the Company's acquisition of Aqua-Eo Ltd.

Partially offsetting these increases in expenses are the following decreases:

- Consulting fees decreased to \$46,200 compared to \$93,877 in the prior year comparable period resulting from the reduction of the number of consultants as a result of the Company's cost-cutting initiatives.
- Insurance expenses decreased to \$1,944 compared to \$20,552 in the prior year comparable period resulting from the Company retaining fewer insurance policies from the Company's cost-cutting initiative to conserve capital.
- Investor relations decreased to \$7,610 compared to \$24,220 in the prior year comparable period resulting from reduction in engagement for investor relations in the current period from the Company's cost-cutting initiative to conserve capital.
- Marketing expenses decreased to \$nil compared to \$18,211 in the prior year comparable period resulting from the Company from the Company's cost-cutting initiative to conserve capital.
- Share-based compensation expense had a recovery of \$318,114 compared to expense of \$157,459 in the prior year comparable period arising from cancellation of options.

The Company had other income of \$142,785 compared to other expense of \$141,521 in the prior year comparable period. The primary drivers of this change were as follows:

- Gain on debt settlement decreased to \$139,919 compared to a gain on debt settlement of \$42,475 in the prior year comparable period resulting from the management negotiations with vendors and related parties for settlement of payables with shares in the current period.
- Impairment of prepaid and deposit was \$nil compared to \$35,000 in the prior year comparable period as a result of the Company's recoverability test conducted in the prior year period impairing certain bitcoin equipment that had not yet been placed into service.
- Inventory impairment was \$nil in compared to \$131,648 in the prior year comparable period as a result of the Company recognizing its Health Shield inventory at its estimated net realizable value in the prior period.

#### **Fiscal 2023 compared to Fiscal 2022**

The Company generated revenue of \$2,175 compared to \$11,845 in the prior year comparable period. Revenue in the current period was comprised of the recognition of the deferred revenue in connection with sales of cloud storage subscriptions during fiscal 2022. Cost of sales was \$4,177 compared to the \$54,879 in the prior year comparable period which consisted of the cost of cloud storage fees. During the current period, the Company generated a gross loss of \$2,002 compared to a gross loss of \$43,034 in the prior year comparable period.

The Company had operating expenses of \$4,090,211 compared to \$4,721,417 in the prior year comparable period. The primary drivers of these increases in expenses were as follows:

- Technology development increased to \$3,261,887 compared to \$1,998,633 in the prior year comparable period resulting from the Company's acquisition of Aqua-Eo Ltd.
- Rent increased to \$58,945 compared to \$40,479 in the prior year comparable period resulting from the Company's short-term office lease in the current period.

Partially offsetting these increases in expenses are the following decrease:

- Consulting fees decreased to \$312,820 compared to \$429,353 in the prior year comparable period resulting from the reduction of the number of consultants as a result of the Company's cost-cutting initiative.
- Insurance expenses decreased to \$7,662 compared to \$147,836 in the prior year comparable period resulting from the Company retaining fewer insurance policies from the Company's cost-cutting initiative to conserve capital.
- Investor relations expense decreased to \$124,996 compared to \$287,905 in the prior year comparable period resulting from overall cost-saving measures. In Q1 and Q2 of fiscal 2023, investor relations costs totaled \$16,931 while in Q3 alone, investor relations costs were \$100,455 resulting from the Company's engagement with a new investor relations firm.

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- Marketing expenses decreased to \$800 compared to \$59,493 in the prior year comparable period resulting from the Company from the Company's cost-cutting initiative to conserve capital.
- Professional fees decreased to \$223,558 compared to \$723,776 in the prior year comparable period resulting from lower costs incurred for legal and accounting services during the current year period as higher fees incurred in the prior year period were associated with the acquisition of Illuria and higher audit fees.
- Share-based compensation expense had a recovery of \$3,498 compared to an expense of \$802,760 in the prior year comparable period resulting from fewer vesting stock options in the current period compared to prior period. The recovery was attributed to cancellation of options during the fiscal 2023.
- Travel decreased to \$8,221 compared to \$70,656 in the prior year comparable period resulting from reductions in travel as part of the Company's cost-cutting measures.

The Company had other income of \$469,268 compared to \$326,545 in the prior year comparable period. The primary drivers of this change were as follows:

- Accretion decreased to \$9,340 compared to \$195,171 in the prior year comparable period relating to the settlement of the Company's convertible and promissory notes in the prior year.
- Gain on change in fair value of derivative liabilities was \$nil compared to \$591,994 in the prior year comparable period resulting from the change in derivative liabilities on a convertible promissory note and convertible note which were settled during the prior year period.
- Gain on termination of software development agreement was \$284,942 compared to \$nil in the prior year comparable period resulting from the Company termination of its software development agreement with Caza in the current period.
- Gain on debt settlement increased to \$193,835 compared to a gain on debt settlement of \$28,424 in the prior year comparable period resulting from the management negotiations with vendors and related parties for settlement of payables with shares in the current period.
- Gain on shares returned to treasury was \$nil compared to \$244,351 in the prior year comparable period resulting from shares issued for consulting fees were subsequently returned during the prior year period.
- Impairment of prepaid and deposit was \$nil compared to \$231,047 in the prior year comparable period as a result of the Company's recoverability test conducted in the prior year period impairing certain bitcoin equipment that had not yet been placed into service.
- Inventory impairment was \$nil in compared to \$131,648 in the prior year comparable period as a result of the Company recognizing its Health Shield inventory at its estimated net realizable value in the prior period.

## 2024 OUTLOOK AND STRATEGIC OBJECTIVES

The Company acquired Aqua-Eo Ltd. as of this date of the MD&A and disclosed in the subsequent events section of this MD&A. The Company believes this acquisition will bring value to its shareholders through new opportunities, growth, and development of innovative solutions in the areas of lithium extraction, industrial wastewater remediation, and oil and gas effluent treatment.

## SUMMARY OF QUARTERLY RESULTS

A summary of quarterly financial results of the Company for the last eight most recently completed quarters is as follows:

	Q4 2023	Q3 2023	Q2 2023	Q1 2023
	\$	\$	\$	\$
Total revenue	-	-	870	1,305
Net loss	(2,985,935)	(416,488)	(160,425)	(60,097)
Net loss per share	(0.09)	(0.02)	(0.01)	(0.00)



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	Q4 2022	Q3 2022	Q2 2022	Q1 2022
	\$	\$		
Total revenue	1,305	1,305	7,736	1,499
Net loss	(585,891)	(201,009)	(2,930,013)	(720,993)
Net loss per share	(0.02)	(0.00)	(0.13)	(0.03)

The quarterly trend in total assets and working capital is primarily driven by movements in cash balance related to the Company's financing activities and spending on corporate costs relating to professional fees and consulting fees. The quarterly trend in loss for the period and loss per share has historically depended on the amount of operating expenditures associated with the Company's efforts to source and develop emerging technologies. In fiscal 2023, the Company has been exploring new technologies and abandoned the development of its prior technologies resulting in lower operating expenses and lower losses compared to certain periods in fiscal 2022. The increased loss in Q3 2023 compared to Q2 2023 resulted from the grant of stock options with a higher fair value than prior issuances and increased investor relations fees. The increased loss in Q4 2023 compared to Q4 2022 resulted from the technology development expense of \$3,261,887 related to the acquisition of Aqua-Eo. The increase in Q2 2022 net loss was a result of the technology development expense of \$1,740,984 related to the acquisition of Illuria.

#### **LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN**

The Company has financed its operations primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt. The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company's financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2023, the Company had a working capital deficiency of \$1,308,725 (2022 - \$942,381), has not yet achieved profitable operations, and has an accumulated deficit of \$20,940,323 (2022 - \$17,317,378).

As at June 30, 2023, the Company had a cash balance of \$33,908 (2022 - \$6,187) to settle current liabilities of \$1,356,106 (2022 - \$1,013,303) which presents significant liquidity risk.

On September 28, 2023, the Company issued 500,000 units in a non-brokered private placement at \$0.10 per unit for proceeds of \$50,000. Each unit is comprised of one common share and one warrant. Each warrant is exercisable for one common share of the Company until September 28, 2025, with an exercise price of \$0.20 per warrant.

The Company's ability to continue as a going concern is dependent upon the Company's ability to raise sufficient financing to acquire or develop a profitable business. The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, and/or raise adequate funding through equity financing to discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

#### **SOURCES AND USES OF CASH**

A summary of sources and uses of cash during years ended June 30, 2023 and 2022 is as follows:

	Fiscal 2023	Fiscal 2022
	\$	\$
Net cash used in operating activities	(372,468)	(1,410,075)
Net cash provided by investing activities	389	-
Net cash provided by financing activities	400,636	766,070
Effect of exchange rate changes on cash	(836)	(27,784)
Net change in cash	27,721	(671,789)
Cash, beginning of year	6,187	677,976
Cash, end of year	33,908	6,187

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### Fiscal 2023 vs Fiscal 2022 comparison

Cash used in operating activities during the current period was primarily driven by cash payments on accounts payables and accrued liabilities, corporate operating expenses and consulting, investor relations and professional fees related to the acquisition of Aqua-Eo. In comparison, cash used in operating activities during the prior year comparable period is due to the increased operating activities and payments in developing the Company's cyber security technology and in consulting, investor relations, and professional fees related to the acquisition of Illuria.

Cash provided by investing activities in the current period was related to cash acquired from the Aqua-Eo Acquisition.

Cash provided by financing activities during the current period was driven by the issuance of units in non-brokered private placements, issuance of a convertible promissory note to a related party, and a loan from a shareholder, while cash provided by financing activities during the prior year comparable period relates to common share private placement, a loan from shareholder, offset by lease payments. The cash raised was used for general corporate expenses and for repayment of accounts payables outstanding in the current period.

### OFF-BALANCE SHEET ARRANGEMENTS

The Company have no off-balance sheet arrangements as at June 30, 2023 or as of the date of this MD&A.

### RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

A summary of the Company's transactions with key management personnel for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022
	\$	\$
Consulting fees incurred to CFO	146,500	126,250
Consulting fees incurred to a company controlled by a director	65,000	-
Consulting fees incurred to a company controlled by the Business Development Officer	90,453	113,990
Consulting fees incurred to the CEO	-	67,000
Consulting fees incurred to the Chief Revenue Officer	-	101,276
Consulting fees incurred to the Chief Development Officer	-	9,337
Share-based compensation (recovery)	(78,638)	684,338
Technology development incurred to Caza, LLC	-	508,938
	223,315	1,611,129

During the year ended June 30, 2022, technology development costs were incurred by Caza, LLC.

A summary of the Company's amounts owed to related parties is as follows:

	June 30, 2023	June 30, 2022
	\$	\$
Accounts payable and accrued liabilities	433,834	213,533
Promissory note	14,853	-
Interest payable	1,170	-
Shareholder's loan	-	30,000
	449,857	243,533

As at June 30, 2023, the Company owed \$272,087 (2022 - \$177,832) to a company controlled by the Business Development Officer of the Company, which is non-interest bearing, unsecured and due on demand.

As at June 30, 2023, the Company owed \$106,747 (2022 - \$16,171) to the CFO of the Company, which is non-interest bearing, unsecured and due on demand.

As at June 30, 2023, the Company owed \$55,000 (2022 - \$1,575) to a company controlled by a director of the Company, which is non-interest bearing, unsecured and due on demand.

As at June 30, 2023, the Company owed \$nil (2022 - \$7,455) to the CEO of the Company, which is non-interest bearing, unsecured and due on demand. As at June 30, 2023, the present value of promissory note owed to CEO of the company is \$14,853 (2022 - \$nil). The promissory note is unsecured, interest bearing at 10% per annum, and due on December 31, 2023. The promissory note was issued pursuant to the amended and restated the terms of the prior year shareholder's loan of \$30,000. The promissory note has accrued interest of \$1,170 as at June 30, 2023.

On June 30, 2023, a director of the Company to forgive \$23,225 of amounts owed by the Company for prior services. As a result, the Company recognized a gain on debt settlement of \$23,225 (2022 - \$nil).

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## **FINANCIAL AND CAPITAL RISK MANAGEMENT**

The carrying values of cash, receivables, accounts payable and accrued liabilities, and shareholder loan approximate fair value due to the short-term nature of these instruments. These financial instruments, and the promissory note and convertible promissory note are measured at amortized cost.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

### **a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk relates primarily to cash and receivables, and due from shareholders. The Company minimizes its credit risk related to cash by placing cash with major financial institutions. The Company regularly reviews the collectability of its receivables. The Company considers the credit risk related to both cash and trade receivables to be minimal.

Receivables consist of trade receivables and an advance to a related party. The Company records lifetime expected credit losses against trade receivables. During the year ended June 30, 2023, the Company recognized \$45,134 (2022 - \$5,288) as a provision for expected credit losses, of which \$38,689 relates to due from shareholders, as management considered the trade receivables and due from shareholders as recoverable.

### **b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has a convertible promissory note and a promissory note with an interest rate of 10%. The Company regularly monitors its cash management policy. The Company is not exposed to interest rate risk as the interest rate on the convertible promissory note and promissory note is fixed.

### **c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company endeavors to ensure that sufficient funds are raised from equity offerings or debt financing to meet its operating requirements, after taking into account existing cash. The Company's cash is held in business accounts which are available on demand for the Company's programs. As at June 30, 2023, the Company had a cash balance of \$33,908 (2022 - \$6,187) to settle undiscounted liabilities of \$1,361,253 (2022 - \$1,013,303).

**TEVANO SYSTEMS HOLDINGS INC.**  
**Management's Discussion & Analysis**  
**For the year ended June 30, 2023**  
(Expressed in Canadian dollars, except where noted)

A summary of the Company's undiscounted liabilities as at June 30, 2023, is as follows:

	Within 1 year	2 - 5 years	Total
	\$	\$	\$
Accounts payables and accrued liabilities	1,341,253	-	<b>1,341,253</b>
Promissory note	20,000	-	<b>20,000</b>
	<b>1,361,253</b>	<b>-</b>	<b>1,361,253</b>

**d) Foreign currency risk**

The Company's functional currency is the Canadian dollar, and its subsidiary's functional currency is the United States dollar. Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian Dollar could have a significant impact on the Company's financial position, results of operations, and cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of cash and trade payables) denominated in US dollars.

A summary of the Company's net monetary assets and liabilities held in foreign currencies, expressed in Canadian dollars, is as follows:

	June 30, 2023	June 30, 2022
	\$	\$
Cash	8	2,830
Accounts payable and accrued liabilities	(311,800)	(360,421)
<b>Net financial liabilities</b>	<b>(311,792)</b>	<b>(357,591)</b>

The effect on net loss and comprehensive loss for the year ended June 30, 2023, of a 10% change in the foreign currencies against the Canadian dollar on the above-mentioned net financial liabilities of the Company is estimated to have an increase or decrease in foreign exchange gain of loss of \$31,179.

As at June 30, 2023, management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

**CAPITAL MANAGEMENT**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company's capital consists of all components of shareholders' equity. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources for its operations and to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners. The Company monitors capital on the basis of maintaining sufficient cash flow to comply with financial obligations. During the period, the Company's strategy, which was unchanged from the prior year, was to issue sufficient additional shares from the treasury to meet all such obligations. The Company is not subject to any externally imposed capital requirements.

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## **OUTSTANDING SHARE DATA**

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

As at the date of this MD&A, the Company has the following securities outstanding:

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Common shares <sup>(1)</sup>	52,478,665
Share options	2,500,000
Warrants	8,457,983

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(1) At the date of this MD&A, common shares include 2,825,802 shares held in escrow, and 231,429 shares subjected to a voluntary pooling period.

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## **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

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The Company's financial statements have been prepared in accordance with IFRS as issued by the IASB and IFRIC, effective as at June 30, 2023. The Company's significant accounting policies are described in Note 3 of the Company's financial statements.

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## **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

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A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended June 30, 2023, and have not been early adopted in preparing the consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

## **RISK FACTORS**

The common shares should be considered highly speculative due to the nature of the Company's business and the present stage of its development. In evaluating the Company and its business, investors should carefully consider, in addition to the other information contained in the Company's Prospectus, the following risk factors. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations. There may be other risks and uncertainties that are not known to the Company or that the Company currently believes are not material, but which may have a material adverse effect on its business, financial condition, operating results or prospects. In that case, the trading price of the Company's common shares could decline substantially, and investors may lose all or part of the value of the common shares held by them.

An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment. There is currently no market through which these securities may be sold, and purchasers may not be able to resell securities purchased under the Prospectus. The possible sale of common shares released from escrow on each release date could negatively affect the market price of the Company's common shares and can result in an excess of sellers of common shares to buyers of common shares and seriously affect the liquidity of the common shares.

### **Limited Operating History**

The Company is in the development stage and faces all of the risks and uncertainties associated with a new and unproven business. The future of the Company is based on an unproven business plan with no historical facts to support projections and assumptions. The Company was founded in April 2018 and has no operating history upon which investors can evaluate its performance. The ability of the Company to ensure continuing operations is dependent on the Company's ability to raise sufficient funds to finance development activities and generate sales. There can be no assurance that the Company will ever achieve revenues or profitability.

The Company's operations are subject to all of the risks inherent in the establishment of a new business enterprise. The lack of a significant and relevant operating history makes it difficult to manage operations and predict future operating results.

### **Requirement for Further Financing**

The Company has limited financial resources and may need to raise additional funds to continue operations and move into commercial productions and remain competitive in the market. The only sources of future funds presently available to the Company are the sale of equity capital and debt. There is no assurance that any such funds will be available to the Company or be available on terms acceptable to the Company. If funds are available, there is no assurance that such funds will be sufficient to bring the Company to commercial production.

Failure to obtain additional financing on a timely basis could have a material adverse effect on the Company and could cause the Company to reduce or terminate its operations. No funds are allocated from the Offering to pay the outstanding fees to related parties, and there can be no assurance that the Company may be able to raise such additional capital.

### **Management**

The success of the Company is largely dependent upon the performance of its management. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. There is no assurance that the Company can maintain the service of its management or other qualified personnel required to operate its business.

### **Currency Risks**

As the Company raises its capital in Canadian dollars and uses Canadian dollars in its financial statements, and as the Company currently incurs certain development expenditures in U.S dollars and has obligations in U.S dollars, currency fluctuations could have a material effect on its operations. The Company may incur realized foreign exchange losses as a result of currency exchange fluctuations.

### **Conflicts of Interest**

Directors of the Company may, from time to time, serve as directors of, or participate in ventures with other companies involved in natural resource development. As a result, there may be situations that involve a conflict of interest for such directors. Each director will attempt not only to avoid dealing with such other companies in situations where conflicts might arise but will as well as disclose all such conflicts in accordance with the Business Corporations Act (British Columbia) and will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

### **No Cash Dividends**

The Company has not declared any cash dividends to date. The Company intends to retain any future earnings to finance its business operations and any future growth. Therefore, the Company does not anticipate declaring any cash dividends in the foreseeable future.

### **Increased Costs of Being Publicly Traded**

As the Company has publicly traded securities, significant legal, accounting and filing fees will be incurred that are not presently being incurred. Securities legislation and the rules and policies of the Exchange require publicly listed companies to, among other things, adopt corporate governance policies and related practices and to continuously prepare and disclose material information, all of which will significantly increase legal, financial and securities regulatory compliance costs.