

TEVANO SYSTEMS HOLDINGS INC.
Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

Unaudited

Notice of Disclosure of Non-Auditor Review of the Condensed Interim Consolidated Financial Statements for the Three Months ended September 30, 2022 and 2021.

Pursuant to subsection 4.3(3)(a) of National Instrument 51-102 - Continuous Disclosure Obligations, issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Tevano Systems Holdings Inc. (the "Company") for the interim period ended September 30, 2022 and 2021, have been prepared in accordance with the International Accounting Standard 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company's management.

The Company's independent auditors, Saturna Group Chartered Professional Accountants LLP, have not performed a review of these condensed interim consolidated financial statements.

November 28, 2022

TEVANO SYSTEMS HOLDINGS INC.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars) - Unaudited

	Note	September 30, 2022	June 30, 2022
		\$	\$
ASSETS			
Current			
Cash		7,390	6,187
Receivables		17,163	19,606
Prepaid expenses	5	17,618	45,129
Total current assets		42,171	70,922
Property and equipment	7	3,214	3,952
Total assets		45,385	74,874
LIABILITIES			
Current			
Accounts payable and accrued liabilities	7,13	978,467	881,128
Promissory note	8	100,000	100,000
Deferred revenue		870	2,175
Shareholder loan	13	30,000	30,000
Total current liabilities		1,109,337	1,013,303
Convertible promissory note	10	26,934	-
Total liabilities		1,136,271	1,013,303
SHAREHOLDERS' DEFICIENCY			
Share capital	11	13,464,343	13,622,023
Reserves	11	2,716,335	2,648,809
Share subscription deposits	11	100,000	100,000
Accumulated other comprehensive income		5,911	8,117
Deficit		(17,377,475)	(17,317,378)
Total shareholders' deficiency		(1,090,886)	(938,429)
Total liabilities and shareholders' deficiency		45,385	74,874

Nature of operations (Note 1)

Commitments (Note 16)

Subsequent events (Note 18)

Approved and authorized for issue on behalf of the Board on November 28, 2022.

/s/ "David Bajwa"
David Bajwa, CEO and Director

/s/ "John Benjamin Sawchuk"
John Benjamin Sawchuk, Director

TEVANO SYSTEMS HOLDINGS INC.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian dollars, except number of shares) - Unaudited

		For the three months ended September 30, 2022	September 30, 2021
	Note		
		\$	\$
Revenue		1,305	1,499
Cost of sales		(3,584)	(14,609)
Gross loss		(2,279)	(13,110)
Operating expenses			
Consulting fees		171,123	118,358
Depreciation	6	738	15,301
Exchange fees		8,918	10,772
Insurance		3,180	54,036
Investor relations		16,931	125,539
Marketing		124	40,779
Office		7,118	27,314
Professional fees		36,620	166,527
Share-based compensation	11,13	54,064	335,129
Rent		20,844	-
Technology development		-	109
Travel		5,001	10,022
Total operating expenses		324,661	903,886
Loss from operations		326,940	916,996
Accretion	8,9,10	396	69,593
Foreign exchange loss		17,626	1,221
Gain on change in fair value of derivative liabilities		-	(23,163)
Gain on shares returned to treasury	11	-	(244,351)
Gain on termination of software development agreement	7,11,12	(284,942)	-
Interest expense	5,8,9	77	1,734
Other income		-	(1,037)
Net loss		(60,097)	(720,993)
Foreign currency translation adjustment		(2,206)	(14,343)
Comprehensive loss		(62,303)	(735,336)
Net loss per share			
Basic and diluted		(0.00)	(0.03)
Weighted average number of common shares outstanding			
Basic and diluted		27,035,554	21,722,475

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

TEVANO SYSTEMS HOLDINGS INC.**Condensed Interim Consolidated Statements of Cash Flows**

For the three months ended September 30, 2022 and 2021

(Expressed in Canadian dollars) - Unaudited

	For the three months ended September 30, 2022	September 30, 2021
	\$	\$
Operating Activities		
Net loss	(60,097)	(720,993)
Adjustments to non-cash items:		
Depreciation	738	15,301
Share-based compensation	54,064	335,129
Accretion	396	69,593
Foreign exchange loss	16,607	10,625
Gain on change in fair value of derivative liabilities	-	(23,163)
Gain on termination of software development agreement	(284,942)	-
Gain on shares returned to treasury	-	(244,351)
Interest expense	77	1,734
Changes in non-cash working capital items:		
Inventory	-	176
Receivables	2,443	(8,508)
Prepaid expenses	1,511	217,107
Accounts payable and accrued liabilities	233,917	58,469
Deferred revenue	(1,305)	-
Cash used in operating activities	(36,591)	(288,881)
Financing Activities		
Issuance of convertible promissory note	40,000	-
Lease payments	-	(18,330)
Cash provided by (used in) financing activities	40,000	(18,330)
Effect of foreign exchange on cash	(2,206)	(14,343)
Change in cash during the period	1,203	(321,554)
Cash, beginning of period	6,187	677,976
Cash, end of period	7,390	356,422

Supplemental cash flow information:

For the three months ended September 30, 2022 and 2021 there were no cash flows from investing activities and there was no cash interest, and no income taxes paid.

During the three months ended September 30, 2022 the Company had the following non-cash transactions:

- As a result of the termination agreement (Note 12), 2,627,993 common shares of the Company at the fair value of \$157,680, were returned to the Company and \$127,262 of accounts payables and accrued liabilities were extinguished from the Company.

During the three months ended September 30, 2021, there were no non-cash debt or equity transactions.

TEVANO SYSTEMS HOLDINGS INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars, except numbers of shares)

	Number of common shares	Issued capital	Reserves	Share subscription deposits	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' deficiency
	#	\$	\$	\$	\$	\$	\$
Balance, June 30, 2021	21,737,851	10,235,824	1,846,049	25,000	35,901	(12,879,472)	(736,698)
Shares issued - private placement	35,714	25,000	-	(25,000)	-	-	-
Shares returned to treasury	(59,501)	(244,351)	-	-	-	-	(244,351)
Share-based compensation	-	-	335,129	-	-	-	335,129
Foreign currency translation adjustment	-	-	-	-	(14,343)	-	(14,343)
Net loss for the period	-	-	-	-	-	(720,993)	(720,993)
Balance, September 30, 2021	21,714,064	10,016,473	2,181,178	-	21,558	(13,600,465)	(1,381,256)
Shares issued for Illuria acquisition	3,142,850	1,595,000	-	-	-	-	1,595,000
Shares issued for debt settlement	514,286	1,336,290	-	-	-	-	1,336,290
Units issued - private placement	1,937,142	678,000	-	-	-	-	678,000
Finder's units - private placement	41,429	-	-	-	-	-	-
Share issue costs	-	(3,740)	-	-	-	-	(3,740)
Share subscription deposits	-	-	-	100,000	-	-	100,000
Share-based compensation	-	-	467,631	-	-	-	467,631
Foreign currency translation adjustment	-	-	-	-	(13,441)	-	(13,441)
Net loss for the period	-	-	-	-	-	(3,716,913)	(3,716,913)
Balance, June 30, 2022	27,349,771	13,622,023	2,648,809	100,000	8,117	(17,317,378)	(938,429)
Shares returned to treasury	(2,627,993)	(157,680)	-	-	-	-	(157,680)
Share-based compensation	-	-	54,064	-	-	-	54,064
Equity component of convertible promissory note issued	-	-	13,462	-	-	-	13,462
Foreign currency translation adjustment	-	-	-	-	(2,206)	-	(2,206)
Net loss for the period	-	-	-	-	-	(60,097)	(60,097)
Balance, September 30, 2022	24,721,778	13,464,343	2,716,335	100,000	5,911	(17,377,475)	(1,090,886)

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

TEVANO SYSTEMS HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended September 30, 2022, and 2021

(Expressed in Canadian dollars, except where noted) - Unaudited

1. Nature of operations and going concern

Tevano Systems Holdings Inc. (the "Company") was incorporated under the laws of British Columbia, Canada on March 23, 2000. The Company's head office and principal address is 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".

Share consolidation

On June 13, 2022, the Company completed a consolidation of its common shares on a three and one-half (3.5) to one (1) 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. Numbers of warrants and stock options and their respective exercise prices have been retrospectively adjusted to reflect the effects of the consolidation.

Going concern

These condensed interim consolidated financial statements ("Interim Financial Statements") have been prepared using accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets and discharge its obligations for the foreseeable future.

As at September 30, 2022, the Company had a working capital deficiency of \$1,067,166 (June 30, 2022 - \$942,381), has not yet achieved profitable operations, and has an accumulated deficit of \$17,377,475 (June 30, 2022 - \$17,317,378). This condition indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. 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 is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on terms advantageous to the Company. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which may differ materially from their carrying values. These Interim Financial Statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

2. Basis of presentation and critical accounting estimates, judgments, and assumptions**Statement of compliance**

These Interim Financial Statements were approved and authorized for issuance on November 28, 2022 by the directors of the Company.

These Interim Financial Statements, including comparatives, have been prepared 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").

Basis of measurement

These Interim Financial Statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these Interim Financial Statements have been prepared using the accrual basis of accounting except cash flow information.

Principles of consolidation

These Interim Financial Statements include the accounts of the Company and its wholly owned subsidiaries, Tevano USA Inc., Tevano Systems Inc., and Illuria Security Inc. All intercompany balances, transactions, revenues, and expenses have been eliminated on consolidation.

Functional and presentation currency

These Interim Financial Statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company. The Company's subsidiaries, Tevano USA Inc. and Illuria Security Inc., have the United States dollar ("US") as its functional currency.

TEVANO SYSTEMS HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended September 30, 2022, and 2021

(Expressed in Canadian dollars, except where noted) - Unaudited

2. Basis of presentation and critical accounting estimates, judgments, and assumptions (continued)**Critical accounting estimates, judgments, and assumptions**

The preparation of these Interim Financial Statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

The Company's interim results are not necessarily indicative of its results for a full year. The significant judgements and estimates applied in the preparation of these Interim Financial Statements are consistent with those applied and disclosed in Note 2 of the annual financial statements.

3. Significant accounting policies

The accounting policies applied in the preparation of these Interim Financial Statements are consistent with those applied and disclosed in Note 3 to the consolidated financial statements for the years ended June 30, 2022 and 2021.

4. Acquisition of Illura Security Inc.

On December 17, 2021, Tevano acquired a 100% ownership interest in Illura Security Inc. ("Illura"), a cyber security technology development company, for 2,857,136 common shares of Tevano issued to the shareholders of Illura (the "Illura Acquisition"). The Illura Acquisition was structured as a merger between Illura and Tevano's wholly owned subsidiary TSH (Delaware) Corp. The Company issued an aggregate of 285,714 common shares to finders in the Illura Acquisition.

The shares issued as consideration in the Illura Acquisition had an aggregate fair value on the date of issuance of \$1,595,000, comprised of 2,857,136 shares issued to the Illura shareholders and 285,714 shares issued to the finders valued at the closing market price of Tevano's stock on December 17, 2021 of \$0.5075 per share.

The acquisition has been accounted for as an equity-settled share-based payment transaction within the scope of IFRS 2 *Share-based Payment*. The acquisition did not qualify as a business combination under IFRS 3 *Business Combinations*, as the significant inputs, processes, and outputs that together constitute a business did not exist in Illura at the time of acquisition. As the software developed in Illura to-date is not functional and does not meet the criteria as a development-phase intangible asset, the consideration in excess of net liabilities acquired was expensed to technology development expense.

The following table summarizes the consideration paid and net liabilities acquired in the Illura Acquisition:

	December 17, 2021
	\$
Purchase price:	
Fair value of the Company's common shares (2,857,136 shares)	1,450,000
Fair value of the Company's common shares (285,714 shares)	145,000
Total consideration	1,595,000
Net liabilities acquired:	
Accounts payable and accrued liabilities	(38,538)
Total net liabilities	(38,538)
Technology development	1,633,538

TEVANO SYSTEMS HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended September 30, 2022, and 2021

(Expressed in Canadian dollars, except where noted) - Unaudited

5. Prepaid expenses

	September 30, 2022	June 30, 2022
	\$	\$
Legal and professional retainers	-	26,066
Consulting fees	-	5,450
Marketing and investor relations	4,911	431
Security deposit - lease	11,633	11,633
Other prepaid expenses	1,074	1,549
Total	17,618	45,129

The security deposit pertains to the lease of the Company's head office. The lease is a single year and is expensed in rent expense as the lease meets the IFRS 16 definition of a short-term lease. For the three months ended September 30, 2022, rent expense recognized in connection with short-term and low value leases was \$20,844 (2021 - \$nil) and interest expense was \$nil (2021 - \$1,734).

6. Property and equipment

	Right-of-use assets	Computer hardware	Furniture, fixtures and equipment	Total
	\$	\$	\$	\$
Cost				
Balance, June 30, 2021	171,242	2,739	10,192	184,173
Disposal	(171,242)	-	-	(171,242)
Balance, September 30, 2022 and June 30, 2022	-	2,739	10,192	12,931
Accumulated depreciation				
Balance, June 30, 2021	142,155	932	5,096	148,183
Depreciation	29,087	913	2,038	32,038
Disposal	(171,242)	-	-	(171,242)
Balance, June 30, 2022	-	1,845	7,134	8,979
Depreciation	-	228	510	738
Balance, September 30, 2022	-	2,073	7,644	9,717
Carrying value				
Balance, June 30, 2022	-	894	3,058	3,952
Balance, September 30, 2022	-	666	2,548	3,214

7. Accounts payable and accrued liabilities

	September 30, 2022	June 30, 2022
	\$	\$
Trade payables	972,522	734,897
Technology development costs payable	-	127,571
Accrued liabilities	5,945	18,660
Total	978,467	881,128

The technology development cost payable balance at June 30, 2022 was due to Caza LLC in connection with a technology development agreement.

TEVANO SYSTEMS HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended September 30, 2022, and 2021

(Expressed in Canadian dollars, except where noted) - Unaudited

7. Accounts payable and accrued liabilities (continued)

During the period ended September 30, 2022, the Company and Caza LLC mutually agreed to terminate the technology development agreement and the Company recovered the technology development costs payable. Accordingly, for the three months ended September 30, 2022, the Company recognized a gain on termination of software development agreement of \$127,262 (2021 - \$nil).

8. Promissory note

	September 30, 2022	June 30, 2022
	\$	\$
Balance, beginning of period	100,000	525,113
Issuance of non-convertible promissory note	-	100,000
Accretion	-	25,324
Settlement of promissory note	-	(550,437)
Balance, end of period	100,000	100,000

On December 3, 2018, pursuant to a contribution agreement, the Company issued a promissory note for \$583,147 to INEX for software engineering and development services related to the advancement and improvement of the Company's proprietary payment solution. The promissory note is interest-free and repayable on January 1, 2023 (or earlier at the discretion of the Company, without penalty). The promissory note is convertible into common shares of the Company at any time in whole or in part at the Company's sole discretion based on the greater of (i) \$0.105 per common share or (ii) the thirty-day weighted average price of the common shares if the Company is listed on a designated stock exchange.

On initial recognition, the Company discounted the face value of the promissory note payable at a market interest rate of 8%, and \$157,219 was recorded as interest benefit in reserves. Subsequent measurement of the promissory note is at amortized cost.

On February 25, 2022, the Company entered into a debt settlement agreement with INEX wherein the convertible promissory note (Note 10), convertible note (Note 9), and promissory note were settled for 1,800,000 common shares (Note 11).

On February 25, 2022, the Company entered into a debt settlement agreement with INEX and issued a promissory note for \$100,000 for the settlement of \$76,482 (US\$60,000) of trade payables to INEX, resulting in a loss on settlement of debt of \$23,518. The promissory note is interest-free and repayable on the earlier of (1) within five business days of raising a minimum of \$2,500,000 in private placement financing, and (2) December 31, 2022.

During the three months ended September 30, 2022, the accretion expense on the promissory note was \$nil (2021 - \$9,708).

9. Convertible note

On May 19, 2021, the Company issued a convertible note of \$907,500 (US\$750,000) to INEX as part of an asset purchase agreement in which the Company acquired the rights, titles, and interest to the software, Health Shield, from INEX. The convertible note had a maturity date of May 19, 2023, with a conversion price equal to the three-day weighted average price per share for the three days immediately prior to the conversion in the amount and number of such shares equal to the principal amount of convertible note. On February 25, 2022, the Company entered into a debt settlement agreement with INEX wherein the convertible promissory note (Note 10), convertible note, and promissory note (Note 8) were settled for 514,286 common shares (Note 11).

During the three months ended September 30, 2022, accretion expense on the convertible note was \$nil (2021 - \$45,448).

TEVANO SYSTEMS HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended September 30, 2022, and 2021

(Expressed in Canadian dollars, except where noted) - Unaudited

10. Convertible promissory note

	September 30, 2022	June 30, 2022
	\$	\$
Balance, beginning of period	-	154,128
Issuance of convertible promissory note	26,538	
Accretion	396	40,738
Settlement of INEX promissory note	-	(194,866)
Balance, end of period	26,934	-

On September 23, 2022, the Company issued a convertible promissory note to an officer of the Company for \$40,000. The convertible promissory note bears interest at 10% per annum and matures on September 23, 2024. The convertible promissory note is convertible into units at anytime at the conversion price of \$0.05 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of \$0.10 per share for a period of one year following the date of conversion.

On initial recognition, the Company measured the fair value of the debt component was calculated to be \$26,538 using a discount rate of 30% which is management's estimate of the market interest rate of similar debt without a conversion feature. The equity component was determined to be \$13,462 using the residual value method and was recorded in reserves.

During the three months ended September 30, 2022, the accretion expense was \$396 (2021 - \$nil) and the interest expense was \$77 (2021 - \$nil)

INEX convertible promissory note

On October 13, 2020, the Company issued a convertible promissory note for \$263,019 to INEX (a related party due to common directorship) for software engineering and development services related to the advancement and improvement of the Company's proprietary payment solution, separate from the promissory note issued on December 3, 2018. The promissory note was interest-free and repayable on the earlier of (i) two years after the shares are publicly traded on a Canadian or U.S securities exchange; or (ii) January 1, 2023 (or earlier at the discretion of the Company, without penalty). The promissory note was convertible into common shares of the Company at any time in whole or in part at the Company's sole discretion based on the greater of (i) \$0.70 per common share and (ii) the ten-day weighted average price per share if traded on a securities exchange.

On February 25, 2022, the Company entered into a debt settlement agreement with INEX wherein it settled the convertible promissory note, a convertible note (Note 9), and promissory note (Note 8) were settled for 514,286 common shares.

During the three months ended September 30, 2022, accretion expense on the convertible promissory note was \$nil (2021 - \$14,437).

11. Share capital

(a) Authorized:

Unlimited common shares without par value.

(b) Issued - common shares

During the period ended September 30, 2022, the Company completed the following transactions:

On September 16, 2022, pursuant to the termination agreement with Caza LLC (Note 12), 2,627,993 of the Company's common shares with a fair value of \$157,680 at \$0.06 per share were returned to the treasury. The fair value of the shares returned to treasury were recorded as a gain on termination of software development agreement in the condensed interim consolidated statement of loss and comprehensive loss.

TEVANO SYSTEMS HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended September 30, 2022, and 2021

(Expressed in Canadian dollars, except where noted) - Unaudited

11. Share capital (continued)*During the year ended June 30, 2022, the Company completed the following transactions:*

On March 25, 2022, pursuant to a debt settlement agreement with INEX dated February 25, 2022, the Company issued 514,286 common shares in settlement of its convertible promissory note (Note 10), convertible note (Note 9), and promissory note (Note 8). The debt amounts settled had an aggregate carrying amount on February 25, 2022 of \$1,336,290, which has been recorded in share capital.

On March 14, 2022, the Company issued 608,571 private placement units at \$0.35 per unit for proceeds of \$213,000. Each unit is comprised of one common share and one warrant. Each warrant is exercisable for one common share of the Company until June 30, 2023. The warrants have an exercise price of \$0.70 for the period from March 14, 2022 to March 14, 2023 and an exercise price of \$0.88 per share for the period from March 15, 2023 to September 14, 2023. The warrants contain an acceleration clause such that if the Company's common share price on the CSE is greater than \$1.05 for ten consecutive trading days after four months and one day from the issuance date, the Company may accelerate the warrant expiry date to the date that is thirty calendar days following the date of a press release from the Company announcing the accelerated terms. 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 the warrants.

On December 31, 2021, the Company closed a private placement for 1,328,571 units at \$0.35 per unit for proceeds of \$465,000. Each unit is comprised of one common share and one warrant. Each warrant is exercisable for one common share of the Company until June 30, 2023. The warrants have an exercise price of \$0.70 per share for the period from December 31, 2021 to December 31, 2022 and an exercise price of \$0.88 per share for the period from January 1, 2023 to June 30, 2023. The warrants contain an acceleration clause such that if the Company's common share price on the CSE is greater than \$1.05 for ten consecutive trading days after four months and one day from the issuance date, the Company may accelerate the warrant expiry date to the date that is thirty calendar days following the date of a press release from the Company announcing the accelerated terms. 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 the warrants.

In connection with the December 31, 2021 private placement, the Company issued 41,429 units to finders with terms identical to those sold in the private placement. The common share component of the finder's units was valued at \$0.525 per share which was the Company's closing share price on the date of the private placement. There was no residual value to allocate to the warrants. Total fair value of the finder's units was \$21,750 and was recorded as a charge to share issuance costs and credit to share capital, resulting in \$nil impact on share capital.

On December 17, 2021, pursuant to the closing of the Illuria Acquisition, the Company issued 2,857,136 common shares of the Company to the shareholders of Illuria at a fair value of \$0.5075 per share, for total fair value of \$1,450,000. The Company issued 285,714 common shares to the finder of the acquisition at a fair value of \$0.5075 per share for total fair value of \$145,000 (Note 4).

On August 26, 2021, in relation to the resignation of a consultant, 59,501 common shares of the Company with a fair value of \$244,351 were returned to treasury. The fair value of returned shares was treated as a gain on shares returned to treasury in the condensed interim consolidated statements of loss and comprehensive loss.

On July 9, 2021, the Company closed a private placement for 35,714 common shares at \$0.70 per common share and reclassified \$25,000 of previously received subscription receipts from share subscription deposits to share capital

(c) Escrow and voluntary pooling shares

In connection with the Transaction, 9,562,190 common shares of the Company were subject to a voluntary pooling agreement and 9,419,333 common shares were held in escrow. From the date of the Transaction to September 30, 2022, the Company released 5,323,490 shares from escrow and as at September 30, 2022, has a total of 4,238,700 shares held in escrow and 2,131,018 common shares subject to the voluntary pooling agreement.

In relation to the Illuria Acquisition, 2,627,993 common shares of the Company were subject to a pooling agreement. Upon execution of the termination agreement with Caza, LLC, on September 16, 2022, these shares were released from the pooling agreement (Note 12).

TEVANO SYSTEMS HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended September 30, 2022, and 2021

(Expressed in Canadian dollars, except where noted) - Unaudited

11. Share capital (continued)

In relation to a debt settlement agreement with INEX dated February 25, 2022, 285,714 common shares issued to INEX relating to the December 31, 2021 private placement and 514,286 common shares issued for debt settlement (Note 8, 9, and 10) were subject to a voluntary hold period imposing certain trading restrictions. As at September 30, 2022, 655,744 common shares were subject to the terms of the voluntary hold period.

(d) Share subscription deposit

During the year ended June 30, 2022, the Company had received \$100,000 in cash proceeds pursuant to a private placement that had not closed at September 30, 2022. These funds will be allocated to share capital upon the close of the private placement.

(e) Share options

A summary of share option activity is as follows:

	Issued	Weighted average exercise price
	#	\$
Outstanding, June 30, 2021	871,428	2.82
Cancelled	(142,857)	3.33
Issued	142,857	1.05
Outstanding, June 30, 2022	871,428	2.45
Expired	(214,289)	2.00
Outstanding, September 30, 2022	657,139	2.60

On February 25, 2022, pursuant to the debt settlement agreement with INEX, the Company granted 142,857 share options to an officer of the Company with an exercise price of \$1.05 and an expiry date of February 25, 2024. In addition, on March 27, 2022, the Company cancelled 142,857 share options to an officer of the Company with a \$3.33 exercise price and original expiry date of March 31, 2026. In connection with the cancelled options, the Company reversed \$69,804 in share-based compensation related to the unvested options.

As at September 30, 2022, the Company had the following share options outstanding and exercisable:

Expiry date	Number of options outstanding	Number of options exercisable	Weighted- average exercise price	Weighted- average remaining life
	#	#	\$	Years
February 24, 2024	142,857	142,857	1.05	1.40
March 19, 2026	185,714	121,428	2.00	3.47
March 22, 2026	328,568	287,497	3.33	3.48
Outstanding, September 30, 2022	657,139	551,782	2.45	2.94

During the three months ended September 30, 2022, the Company recorded share-based compensation expense for share options vested of \$54,064 (2021 - \$335,129). The following are the assumptions used for the Black-Scholes option pricing model valuation of share options granted during the three months ended September 30, 2022 and 2021.

	2022	2021
Risk-free interest rate	1.53%	0.99% - 1.45%
Expected life	2 years	2 - 5 years
Expected volatility	161%	100%
Forfeiture rate	0.00%	0.00%
Dividend rate	0.00%	0.00%

TEVANO SYSTEMS HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended September 30, 2022, and 2021

(Expressed in Canadian dollars, except where noted) - Unaudited

11. Share capital (continued)

(f) Warrants

A summary of share purchase warrant activity is as follows:

	Warrants outstanding	Weighted- average exercise price
	#	\$
Balance, June 30, 2021	3,909,761	1.38
Expired	(766,904)	0.26
Granted	1,978,571	0.88
Balance, September 30, 2022 and June 30, 2022	5,121,428	1.36

As at September 30, 2022, the Company had the following warrants outstanding:

Expiry date	Warrants outstanding	Weighted- average exercise price	Weighted- average remaining life
	#	\$	Years
March 15, 2023	285,714	0.70	0.46
May 3, 2023	2,857,143	1.75	0.59
June 30, 2023	1,370,000	0.88	0.75
September 14, 2023	608,571	0.88	0.96
Balance, September 30, 2022	5,121,428	1.36	0.67

On October 15, 2021, 5,000 warrants with an exercise price of \$0.70 per warrant expired unexercised.

The fair value of the 285,714 finder warrants on the issuance date was determined using the Black Scholes option pricing model. The weighted-average assumption used in the option-pricing model are as follows:

	September 30, 2022
Risk-free interest rate	0.23%
Expected life	2 years
Expected volatility	100%
Forfeiture rate	0.00%
Dividend rate	0.00%

On May 3, 2021, the Company completed a non-brokered private placement of 2,857,143 warrants at a price of \$0.175 per warrant for gross proceeds of \$500,000 (each a "Special Warrant"). Each Special Warrant is exercisable into units of the Company consisting of one common share and one common share purchase warrant (each a "Unit") at an exercise price of \$1.75 per Unit for a period of two years (subject to acceleration if the weighted average trading price of the Company's shares is at or exceeding \$4.20 for any five consecutive trading days) from May 3, 2021.

Each common share purchase warrant is exercisable into one common share of Company at an exercise price of \$2.45 per share for a period of two years (subject to acceleration if the weighted average trading price of the Company's share is at or exceeds \$4.90 for any five consecutive trading days) from May 3, 2021.

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12. Technology development

Technology development costs are expenditures made by the Company for the research and development of its Health Shield product, cyber security software and potential new technologies and products. The following table summarizes cumulative technology development costs to September 30, 2022 and June 30, 2022:

	September 30, 2022	June 30, 2022
	\$	\$
Opening balance of cumulative spend	5,290,225	3,291,592
Illuria Acquisition (Note 4)	-	1,633,538
Technology development expenditures in the period	-	365,095
Ending balance of cumulative spend	5,290,225	5,290,225

On December 21, 2021, the Company entered into a software development agreement with Caza, LLC ("Caza"), a related party due to common directorship with Illuria, for further back-end design, development, testing, and assistance in bringing the cyber security technology to market. An initial fee of \$252,446 (US\$200,000) was paid upon signing the agreement. During the year ended June 30, 2022, the agreement was amended to revise the schedule of payments and deliverables.

On September 16, 2022, the Company and Caza mutually agreed to terminate the software development agreement. Per the termination agreement, the Company transferred all intellectual property acquired and developed by Caza during the software development agreement period in exchange for 2,627,993 common shares of Tevano with a fair value of \$157,680 (Note 11) and the termination of \$127,262 of technology development costs payable (Note 7).

13. 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.

During the three months ended September 30, 2022 and 2021, the Company had the following transactions with key management personnel:

	2022	2021
	\$	\$
Consulting fees paid to officers and directors	161,124	118,358
Share-based compensation paid to officers and directors	42,041	287,091
Total	203,165	405,449

Amounts due to related parties as at September 30, 2022 and June 30, 2022, were as follows:

	September 30, 2022	June 30, 2022
	\$	\$
Accounts payable and accrued liabilities	392,642	213,533
Convertible promissory note	26,934	-
Shareholder loan	30,000	30,000
Total	449,576	243,533

Accounts payable and accrued liabilities and shareholder loan due to related parties relate to ongoing corporate overhead costs and are non-interest bearing, due on demand.

During the period ended September 30, 2022, the Company issued a convertible promissory note to an officer of the Company (Note 10).

At September 30, 2022, receivables included \$5,500 advanced to a related party (June 30, 2022 - \$5,500). The advance is non-interest bearing and there are no specified terms of repayment.

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(Expressed in Canadian dollars, except where noted) - Unaudited

14. Financial instruments and risk management*Fair value of financial assets and liabilities*

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities,

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and

Level 3: Inputs that are not based on observable market data.

As at September 30, 2022, the Company had no financial instruments carried and measured at fair value.

The carrying values of cash, receivables, accounts payable and accrued liabilities, promissory note, and shareholder loan approximate fair value due to the short-term nature of these instruments.

Risk management

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

(a) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The risk for cash is mitigated by holding these instruments with highly rated Canadian financial institutions. As at September 30, 2022, the Company expects to recover the full amount of cash.

Receivables consists of trade receivables, sales tax recoverable (GST) from the Canadian Revenue Agency and an advance to a related party (Note 13). The Company records lifetime expected credit losses against trade receivables and does not consider there to be any material risk against non-collection of trade receivables recorded at September 30, 2022.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it has sufficient liquidity to meet liabilities when due. As at September 30, 2022, the Company had a cash balance of \$7,390 (June 30, 2022 - \$6,187) to settle current liabilities of \$1,109,337 (June 30, 2022 - \$1,013,303). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

(c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates and interest rate risk.

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, trade payables, convertible note, promissory note, and convertible promissory note) denominated in US dollars. The table below summarizes the net monetary assets and liabilities held in foreign currencies, expressed in Canadian dollars:

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(Expressed in Canadian dollars, except where noted) - Unaudited

14. Financial instruments and risk management (continued)

	September 30, 2022	June 30, 2022
	\$	\$
US dollar monetary assets	3,054	2,830
US dollar liabilities	(263,581)	(360,421)
US dollar net liabilities	(260,527)	(357,591)

As at September 30, 2022, Management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

Interest rate risk

The Company has a convertible promissory note with an interest rate of 10%. The Company regularly monitors its cash management policy. Management has determined interest rate risk to be low as the interest rate on the convertible promissory note is fixed.

15. 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.

16. Commitments

A summary of undiscounted liabilities and future operating commitments as at September 30, 2022, are as follows:

	Total	Within 1 year	2 - 5 years
	\$	\$	\$
Accounts payables and accrued liabilities	978,467	978,467	-
Convertible promissory note	40,000	-	40,000
Lease payments on short-term lease	20,162	20,162	-
Promissory note	100,000	100,000	-
Shareholder loan	30,000	30,000	-
Total financial liabilities and commitments	1,168,629	1,128,629	40,000

17. Segmented information

The Company's chief operating decision maker reviews the results of operations as one reportable segment. For all periods presented in these Interim Financial Statements, the Company has one reporting segment. The Company's assets and operations are geographically located in Canada.

TEVANO SYSTEMS HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements**

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18. Subsequent events

On October 25, 2022, the Company and an officer of the Company agreed to amend and restate the terms of an existing shareholder loan of \$30,000 (Note 13). The shareholder loan was amended to bear interest at a rate of 10% per annum with a maturity date of December 31, 2023.

On November 1, 2022, the Company received a loan from an officer of the Company of \$6,000. The loan is non-interest bearing and due on demand.

On November 2, 2022, the Company issued 1,100,000 share options to officers and directors of the Company. Each option is exercisable into one common share of the Company at an exercise price of \$0.05 until October 25, 2027 and vest immediately on grant.