

CASH FLOW STATEMENT

DeepShield Systems, Inc.

For the Three and Nine Months Ended September 30, 2023

(Unaudited, in thousands USD)

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2023	2022	2023	2022
Operating Activities				
Net Income	2,845	1,987	7,234	5,123
Adjustments to reconcile net income:				
Depreciation and amortization	875	798	2,567	2,345
Stock-based compensation	456	387	1,234	1,098
Deferred income taxes	234	178	678	523
Changes in operating assets and liabilities:				
Accounts receivable	(1,234)	(987)	(3,456)	(2,876)
Prepaid expenses	(145)	(98)	(387)	(289)
Accounts payable	876	654	2,345	1,987
Accrued expenses	345	276	987	765
Deferred revenue	1,234	987	3,456	2,876
Net cash from operating activities	5,486	4,182	14,658	11,552
Investing Activities				
Purchase of property and equipment	(876)	(765)	(2,345)	(1,987)
Capitalized software development	(1,234)	(987)	(3,456)	(2,876)
Acquisition of security technology assets	(2,345)	-	(2,345)	-
Net cash used in investing activities	(4,455)	(1,752)	(8,146)	(4,863)
Financing Activities				
Proceeds from Series C financing	-	-	15,000	-
Exercise of stock options	234	187	678	523
Payment of debt obligations	(567)	(456)	(1,567)	(1,234)

Net cash from financing activities	(333)	(269)	14,111	(711)	
Net increase in cash and equivalents	698	2,161	20,623	5,978	
Cash and equivalents, beginning of period	28,765	18,987	8,840	15,170	
Cash and equivalents, end of period	29,463	21,148	29,463	21,148	

Supplemental Disclosures

Cash paid during the period for:

- Interest: \$387,000
- Income taxes: \$1,234,000

Non-cash investing and financing activities:

- Equipment acquired under capital lease obligations: \$876,000
- Stock-based compensation capitalized to software development: \$234,000

Notes and Disclaimers

This unaudited cash flow statement has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States.

The statement includes the consolidated cash flows of DeepShield Systems, Inc. and its wholly-owned subsidiaries.

Certain reclassifications have been made to prior period amounts to conform to current period presentation.

All amounts are presented in thousands of U.S. dollars unless otherwise noted.

The significant increase in cash from financing activities reflects the completion of Series C financing in Q1 2023.

Acquisition of security technology assets represents the purchase of proprietary OT security protocols and related intellectual property.

Certification

The undersigned, duly authorized officer of DeepShield Systems, Inc., hereby certifies that this cash flow statement fairly presents, in all material respects, the cash flows of the Company for the periods

presented.

/s/ Robert Kessler

Robert Kessler

Chief Financial Officer

Date: October 31, 2023

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