

DEEPSHIELD SYSTEMS, INC.

Balance Sheet and Income Statement

For the Year Ended December 31, 2023

(Unaudited - Expressed in US Dollars)

CONSOLIDATED BALANCE SHEET

ASSETS

Current Assets

- Cash and cash equivalents: \$8,745,320
- Short-term investments: \$5,250,000
- Accounts receivable (net): \$7,832,450
- Unbilled revenue: \$2,145,890
- Prepaid expenses: \$875,640
- Other current assets: \$445,230

Total Current Assets: \$25,294,530

Non-Current Assets

- Property and equipment (net): \$3,245,780
- Capitalized software development: \$12,450,890
- Patents and intellectual property: \$4,875,320
- Goodwill: \$2,750,000
- Long-term investments: \$1,500,000
- Other non-current assets: \$845,670

Total Non-Current Assets: \$25,667,660

TOTAL ASSETS: \$50,962,190

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

- Accounts payable: \$3,245,780
- Accrued expenses: \$2,875,430

- Deferred revenue: \$4,250,890
- Current portion of long-term debt: \$1,500,000
- Other current liabilities: \$785,320

Total Current Liabilities: \$12,657,420

Non-Current Liabilities

- Long-term debt: \$8,500,000
- Deferred tax liabilities: \$1,245,670
- Other non-current liabilities: \$875,430

Total Non-Current Liabilities: \$10,621,100

Stockholders' Equity

- Common stock (\$0.001 par value): \$187,000
- Additional paid-in capital: \$22,450,890
- Retained earnings: \$5,045,780

Total Stockholders' Equity: \$27,683,670

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY: \$50,962,190

CONSOLIDATED INCOME STATEMENT

Revenue

- Software licenses and subscriptions: \$18,745,320
- Professional services: \$8,875,430
- Maintenance and support: \$4,879,250

Total Revenue: \$32,500,000

Cost of Revenue

- Software hosting and infrastructure: \$3,245,780
- Professional services delivery: \$4,875,320
- Customer support: \$2,145,890
- Other direct costs: \$1,245,670

Total Cost of Revenue: \$11,512,660

Gross Profit: \$20,987,340

Operating Expenses

- Research and development: \$5,875,430
- Sales and marketing: \$4,245,890
- General and administrative: \$3,875,320
- Depreciation and amortization: \$1,245,670

Total Operating Expenses: \$15,242,310**Operating Income: \$5,745,030****Other Income (Expense)**

- Interest income: \$245,890
- Interest expense: (\$875,430)
- Other income (expense): \$125,670

Total Other Income (Expense): (\$503,870)**Income Before Income Taxes: \$5,241,160****Income Tax Expense: \$1,572,348****Net Income: \$3,668,812****NOTES AND DISCLAIMERS**

This financial statement has been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

All figures are preliminary and subject to audit adjustments.

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

This document contains forward-looking statements that involve risks and uncertainties.

Prepared by:

Robert Kessler

Chief Financial Officer

DeepShield Systems, Inc.

Date: January 15, 2024

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