

MONTHLY BURN RATE ANALYSIS

DeepShield Systems, Inc.

November 2023

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1. EXECUTIVE SUMMARY

This Monthly Burn Rate Analysis report provides a detailed assessment of DeepShield Systems, Inc.'s ("Company") cash utilization and operational expenses for November 2023. This analysis has been prepared by the Office of the Chief Financial Officer in accordance with Generally Accepted Accounting Principles (GAAP) and the Company's internal financial controls.

2. MONTHLY BURN RATE METRICS

2.1 Core Operating Expenses

- Personnel Expenses: \$2,847,500
- Research & Development: \$985,000
- Sales & Marketing: \$675,000
- General & Administrative: \$425,000
- Facilities & Infrastructure: \$298,000
- Total Core Monthly Burn: \$5,230,500

2.2 Non-Operating Expenses

- Capital Expenditures: \$385,000
- Professional Services: \$165,000
- Debt Service: \$92,000
- Other Non-Operating Costs: \$78,500
- Total Non-Operating Burn: \$720,500

2.3 Total Monthly Burn Rate

Combined Monthly Burn Rate: \$5,951,000

3. CASH POSITION ANALYSIS

3.1 Current Cash Reserves

- Operating Accounts: \$18,750,000
- Investment Accounts: \$27,500,000
- Restricted Cash: \$5,000,000
- Total Available Cash: \$46,250,000

3.2 Runway Calculation

Based on current burn rate and available unrestricted cash (\$41,250,000), the Company maintains approximately 6.9 months of runway under current operating conditions.

4. VARIANCE ANALYSIS

4.1 Month-over-Month Comparison

- October 2023 Burn Rate: \$5,725,000
- November 2023 Burn Rate: \$5,951,000
- Variance: +\$226,000 (+3.95%)

4.2 Material Variances

Increased R&D expenses (+\$185,000) due to acceleration of maritime security module development

Additional hiring in engineering team (+\$165,000)

One-time professional services fees related to IP filings (+\$95,000)

Offset by reduction in marketing expenses (-\$219,000)

5. RISK FACTORS AND MITIGATION

5.1 Identified Risks

Accelerated burn rate in R&D department

Increasing personnel costs in competitive labor market

Extended sales cycles impacting revenue recognition

Foreign exchange exposure in international operations

5.2 Mitigation Strategies

Implementation of new procurement controls

Strategic hiring freeze in non-critical positions

Optimization of cloud infrastructure costs

Renegotiation of vendor contracts

6. FORWARD-LOOKING PROJECTIONS

6.1 Expected Changes

Anticipated reduction in R&D expenses (-15%) by Q1 2024

Planned facilities consolidation to reduce overhead

Expected increase in revenue from new product launches

Projected improvement in operating efficiency

6.2 Projected Burn Rate

Projected Monthly Burn Rate (Q1 2024): \$5,250,000

7. CERTIFICATION

The undersigned hereby certifies that this Monthly Burn Rate Analysis accurately reflects the financial position of DeepShield Systems, Inc. as of November 30, 2023.

This analysis has been prepared in accordance with the Company's financial policies and procedures and represents a true and accurate assessment of cash utilization for the period specified.

EXECUTED this 12th day of December, 2023

By: _

Robert Kessler

Chief Financial Officer

DeepShield Systems, Inc.

REVIEWED BY:

—

Dr. Marcus Chen

Chief Executive Officer

—
Sarah Thompson

Audit Committee Chair

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This analysis includes forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those projected in such statements. This document is protected by attorney-client privilege and work product doctrine.

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