

ANNUAL DEPRECIATION SCHEDULE

DeepShield Systems, Inc.

For Fiscal Year Ending December 31, 2023

Prepared January 10, 2024

1. OVERVIEW AND CERTIFICATION

This Annual Depreciation Schedule ("Schedule") sets forth the complete depreciation calculations and asset classifications for DeepShield Systems, Inc., a Delaware corporation (the "Company"), for the fiscal year ending December 31, 2023. This Schedule has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and applicable IRS regulations.

The undersigned Chief Financial Officer hereby certifies that this Schedule accurately reflects all depreciable assets owned by the Company as of December 31, 2023.

2. ASSET CATEGORIES AND DEPRECIATION METHODS

2.1 Computer Hardware and Servers

- Method: Straight-line depreciation
- Useful Life: 3 years
- Salvage Value: 10% of original cost

2.2 Software Development Equipment

- Method: Double declining balance
- Useful Life: 5 years
- Salvage Value: 5% of original cost

2.3 Office Furniture and Fixtures

- Method: Straight-line depreciation
- Useful Life: 7 years
- Salvage Value: 15% of original cost

2.4 Laboratory and Testing Equipment

- Method: Sum-of-years-digits
- Useful Life: 5 years

- Salvage Value: 20% of original cost

3. DETAILED DEPRECIATION CALCULATIONS

3.1 Computer Hardware and Servers

Asset Description	Purchase Date	Original Cost	Accumulated Depreciation	Current Year Depreciation	Net Book Value
Dell PowerEdge R740 Server Cluster	03/15/2021	\$425,000	\$255,000	\$127,500	\$42,500
Cisco Network Infrastructure	06/01/2022	\$385,000	\$115,500	\$115,500	\$154,000
Development Workstations (45 units)	09/15/2023	\$315,000	\$26,250	\$26,250	\$262,500

3.2 Software Development Equipment

Asset Description	Purchase Date	Original Cost	Accumulated Depreciation	Current Year Depreciation	Net Book Value
Testing Environment Hardware	04/01/2021	\$275,000	\$165,000	\$66,000	\$44,000
Security Analysis Tools	08/15/2022	\$195,000	\$78,000	\$46,800	\$70,200
Simulation Systems	02/28/2023	\$445,000	\$178,000	\$178,000	\$89,000

3.3 Office Furniture and Fixtures

Asset Description	Purchase Date	Original Cost	Accumulated Depreciation	Current Year Depreciation	Net Book Value
HQ Office Furniture	01/15/2021	\$185,000	\$66,428	\$22,143	\$96,429
R&D Lab Fixtures	07/01/2022	\$125,000	\$26,786	\$15,179	\$83,035
Conference Room Equipment	03/15/2023	\$95,000	\$10,179	\$10,179	\$74,642

3.4 Laboratory and Testing Equipment

Asset Description	Purchase Date	Original Cost	Accumulated Depreciation	Current Year Depreciation	Net Book Value

ICS Testing Units	05/20/2021	\$685,000	\$411,000	\$171,250	\$102,750
SCADA Simulation Equipment	09/10/2022	\$495,000	\$198,000	\$148,500	\$148,500
Maritime Security Lab	04/15/2023	\$875,000	\$175,000	\$175,000	\$525,000

4. SUMMARY OF DEPRECIATION

Total Original Cost of All Assets: \$4,500,000

Total Accumulated Depreciation: \$1,705,143

Total Current Year Depreciation: \$1,102,301

Total Net Book Value: \$1,692,556

5. NOTES AND DISCLAIMERS

1 All calculations have been performed in accordance with the Company's depreciation policies as approved by the Board of Directors on January 15, 2023.

2 Useful life estimates are based on industry standards and historical Company experience.

3 This Schedule excludes fully depreciated assets that remain in service but carry no book value.

4 All amounts are stated in United States Dollars (USD).

6. CERTIFICATION

The undersigned hereby certifies that this Annual Depreciation Schedule is true and accurate to the best of their knowledge and belief.

DEEPSHIELD SYSTEMS, INC.

By: _

Robert Kessler

Chief Financial Officer

Date: January 10, 2024