

	2024	2023
Assets		
Current assets		
Cash	\$ 168,208	\$ 84,570
Accounts receivable, net	31,776	309,768
Prepaid expense and other current assets	-	29,467
Total current assets	199,984	423,805
Property and equipment, net	252,903	409,525
Operating lease right-of-use assets, net	-	322,616
Advance payment for acquisition	2,726,188	2,726,188
Intellectual property, net of accumulated amortization	2,798,816	3,525,816
Deposits	36,062	45,673
Total Assets	\$ 6,013,953	\$ 7,453,623
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 5,919,988	3,360,469
Deferred revenue	1,591,326	1,627,572
Interest payable	2,097,216	1,352,227
Notes payable, net of unamortized discount	3,340,492	3,704,326
Convertible notes payable, net of unamortized discount	3,877,944	3,047,388
Due to a related party	144,303	341,437
Operating lease liability	-	357,656
Finance lease liability	10,341	10,341
Total Current Liabilities	16,981,610	13,801,416
Series B Preferred Stock, 80,000 shares designated; \$0.001 par value; Stated value \$10.00, 0 and 29,750 shares issued and outstanding, net of discount, respectively	-	-
Notes payable, net of unamortized discount - non-current	1,406,849	1,355,132
Convertible notes payable, net of unamortized discount - non-current	-	97,946
Deferred revenues - non-current	714,127	195,997
Total Liabilities	19,102,586	15,450,491
Commitments and Contingencies	-	-
Stockholders' Deficit		
Preferred stock: 337,500 authorized; \$0.001 par value Series A Preferred Stock, 150,000 shares designated; \$0.001 par value; 149,492 and 149,892 shares issued and outstanding, respectively	149	150
Common stock: 500,000,000 authorized; \$0.001 par value; 1,150,223 and 272,874 shares issued and outstanding, respectively	62,472	61,564
Additional paid in capital	48,592,764	47,598,254
Accumulated deficit	(61,744,018)	(55,656,836)
Total Stockholders' Deficit	(13,088,633)	(7,996,868)
Total Liabilities and Stockholders' Deficit	\$ 6,013,953	\$ 7,453,623

See the accompanying notes, which are an integral part of these consolidated financial statements.

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**DATA443 RISK MITIGATION, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS**

	Years Ended December 31,	
	2024	2023
Revenue	\$ 4,872,422	\$ 5,578,942
Cost of revenue	2,023,623	1,726,187
Gross profit	2,848,799	3,852,755
Operating expenses		
General and administrative	5,276,033	6,149,243
Sales and marketing	637,291	487,971
Total operating expenses	5,913,323	6,637,214
Net loss from operations	(3,064,524)	(2,784,459)
Other income (expense)		
Interest expense	(2,742,421)	(6,417,407)
Other Income	(4,933)	43,977
Gain (loss) on settlement of debt	-	4,913,181
Gain (loss) on settlement	(160,304)	-
Gain (loss) on investment	(115,000)	-
Total other expense	(3,022,658)	(1,460,249)
Loss before income taxes	(6,087,182)	(4,244,708)
Provision for income taxes	-	-
Net loss	\$ (6,087,182)	\$ (4,244,708)

Dividend on Series B Preferred Stock		-	-
Net loss attributable to common stockholders	\$	(6,087,182)	\$ (4,244,708)
Basic and diluted loss per Common Share	\$	(5.29)	\$ (15.56)
Basic and diluted weighted average number of common shares outstanding		<u>723,538</u>	<u>272,874</u>

See the accompanying notes, which are an integral part of these consolidated financial statements.

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**DATA443 RISK MITIGATION, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**

	Series A Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
Balance - December 31, 2022	149,892	\$ 150	4,360	\$ 2,611	\$ 42,642,514	\$ (51,412,128)	\$ (8,766,853)
Common Stock issued for acquisition of Cyren Assets	-	-	165,290	165	1,999,835	-	2,000,000
Common Stock issued for conversion of debt	-	-	21,428	12,857	344,735	-	357,592
Common Stock issued for adjustment to investors in private placement	-	-	77,010	45,619	(45,619)	-	-
Warrant issued in conjunction with debts ⁽ⁱ⁾	-	-	-	-	1,682,499	-	1,682,499
Stock-based compensation	-	-	4,786	312	974,290	-	974,602
Net loss	-	-	-	-	-	(4,244,708)	(4,244,708)
Balance - December, 2023	149,892	\$ 150	272,874	\$ 61,564	\$ 47,598,254	\$ (55,656,836)	\$ (7,996,868)
Common stock issued for conversion of preferred stock	(400)	(1)	400,000	400	(399)	-	-
Common stock issued for conversion of debt	-	-	477,349	477	70,046	-	70,523
Stock-based compensation	-	-	-	31	924,863	-	924,894
Net loss	-	-	-	-	-	(6,087,182)	(6,087,182)
Balance - December 31, 2024	149,492	\$ 149	1,150,223	\$ 62,472	\$ 48,592,764	\$ (61,744,018)	\$ (13,088,633)

See the accompanying notes, which are an integral part of these consolidated financial statements.

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**DATA443 RISK MITIGATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (6,087,182)	\$ (4,244,708)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on investment	115,000	-
Gain on settlement of debt	-	(4,904,081)
Stock-based compensation expense	924,894	974,602
Depreciation and amortization	883,622	631,544
Amortization of debt discount	1,319,121	1,858,655
Lease liability amortization	(35,040)	(128,274)
Changes in operating assets and liabilities		
Accounts receivable	277,992	(277,790)
Prepaid expenses and other current assets	29,467	61,737
Accounts payable and accrued liabilities	2,559,519	2,328,538
Deferred revenue	481,884	(669,582)
Interest payable	796,118	5,151,460
Deposit	9,611	-
Net Cash provided by Operating Activities	1,275,006	782,101
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advance payment for acquisition	(115,000)	(1,500,000)
Purchase of property and equipment	-	(185,523)
Net Cash used in Investing Activities	(115,000)	(1,685,523)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of convertible notes payable	290,000	1,067,631
Repayment of convertible notes payable	(303,488)	(438,059)
Proceeds from issuance of notes payable	-	1,689,868
Repayment of notes payable	(865,746)	(1,562,535)
Proceeds from related parties	288,406	422,935
Repayment to related parties	(485,540)	(193,560)
Net Cash (used in) provided by Financing Activities	(1,076,368)	986,280
Net change in cash	83,638	82,858
	84,570	1,712

Cash, beginning of period		
Cash, end of period	\$ 168,208	\$ 84,570
Supplemental cash flow information		
Cash paid for interest	\$ 341,081	\$ 701,427
Cash paid for taxes	\$ -	\$ -
Non-cash transactions:		
Common stock issued for acquisition of subsidiary	\$ -	\$ 2,000,000
Gain on settlement of debt	\$ -	\$ 4,904,081
Settlement of convertible notes payable through issuance of common stock	\$ 47,518	\$ 357,592
Warrant issued in conjunction with debts	\$ -	\$ 1,682,499
Common stock issued for conversion of Series A preferred stock	\$ 400	\$ -

See the accompanying notes, which are an integral part of these consolidated financial statements.

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**DATA443 RISK MITIGATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 1: BUSINESS DESCRIPTION

Description of Business

Data443 Risk Mitigation, Inc. (the "Company") was incorporated as a Nevada corporation on May 4, 1998. On October 15, 2019, the Company changed its name from LandStar, Inc. to Data443 Risk Mitigation, Inc. within the state of Nevada.

We deliver solutions and capabilities that businesses can use in conjunction with their use of established cloud vendors such as Microsoft® Azure, Google® Cloud Platform (GCP) and Amazon® Web Services (AWS), as well as with on-premises databases and database applications with virtualization platforms, such as those hosted or configured using VMWare®, Citrix® and Oracle® clouds/products).

Advance Payment for Acquisition

On January 19, 2022, we entered into an Asset Purchase Agreement with Centurion Holdings I, LLC ("Centurion") to acquire the intellectual property rights and certain assets collectively known as Centurion SmartShield Home and SmartShield Enterprise, patented technology that protects and recovers devices in the event of ransomware attacks. The total purchase price of \$3,400,000 consists of: (i) a \$250,000 cash payment at closing; (ii) a \$2,900,000 promissory note issued by Data443 in favor of Centurion ("Centurion Note"); and (iii) \$250,000 in the form of a contingent payment. The Centurion Note matures January 19, 2027 but provides that Data443's repayment obligation would accelerate on the occurrence of certain events. One of those events was a financing event that did not occur within the originally anticipated timeframe. If that event had occurred, then Data443's repayment obligation would have been to repay the balance of the outstanding principal and interest as follows: (i) \$500,000 of the then-outstanding amount due in cash; and (ii) the remaining balance, at Data443's option, in Common stock or a combination of Common stock and cash, with the number of shares of Common stock to be determined according to a specified formula. In April 2022, Data443 and Centurion agreed that, even though the trigger for this acceleration event did not occur, Data443 would issue shares of Common stock to Centurion in an amount then-equivalent to \$2,400,000, as partial repayment of the obligation due under the Centurion Note. The number of shares of Common stock Data443 issued to Centurion on April 20, 2022, was 380,952. Because Data443 still has some repayment obligations to fulfill under the Centurion Note, as of the filing date of these financial statements, the acquisition that is the subject of the Centurion Asset Purchase Agreement is still not completed. The Company is in communication with Centurion and they are both expecting the agreement to be completed in 2025.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements as of December 31, 2024 and 2023 include the accounts of the Company and its wholly-owned subsidiary, Data443 Risk Mitigation, Inc., a North Carolina operating company. All intercompany accounts and activities have been eliminated upon consolidation. These consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

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Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company derives revenue primarily from contracts for subscription to access our SaaS platforms and, to a much lesser degree, ancillary services provided in connection with subscription services. The Company's contracts include the performance obligations that require us to provide access to the platforms, usually on an annual subscription. The Company's contracts are for subscriptions to our data classification, movement, governance, encryption, access control and distribution software and related services. We also perform professional services consulting with specific deliverables managed primarily by statements of work. Customers typically enter into our services subscription and various statements of work concurrently. Most of the Company's performance obligations are not considered to be distinct from the subscriptions to our software or hosting platforms and related services and are combined into a single performance obligation. New statements of work and modifications of contracts are reviewed each reporting period and to assess the nature and characteristics of the new or modified performance obligations on a contract by contract basis.

Revenue related to contracts with customers is evaluated utilizing the following steps: (i) Identify the contract, or contracts, with a customer; (ii) Identify the performance obligations in the contract; (iii) Determine the transaction price; (iv) Allocate the transaction price to the performance obligations in the contract; (v) Recognize revenue when the Company satisfies a performance obligation.

Revenues from professional services consist mostly of time and material services. The performance obligations are satisfied, and revenues are recognized, when the services are