

CAPITAL EXPENDITURE BUDGET 2024

Polar Dynamics Robotics, Inc.

Approved by Board of Directors on December 15, 2023

1. EXECUTIVE SUMMARY

This Capital Expenditure Budget ("CapEx Budget") outlines the approved capital investments for Polar Dynamics Robotics, Inc. (the "Company") for fiscal year 2024. Total authorized expenditures shall not exceed \$12,750,000 without additional Board approval.

2. STRATEGIC OBJECTIVES

1. The CapEx Budget supports the following strategic initiatives:

- a) Expansion of IceNav(TM) production capabilities
- b) Enhancement of cold-environment testing facilities
- c) Establishment of new R&D laboratory space
- d) Modernization of manufacturing automation systems

3. AUTHORIZED EXPENDITURES

1. Manufacturing Equipment (\$5,200,000)

- Advanced actuator assembly line: \$2,300,000
- Thermal testing chambers: \$1,400,000
- Precision robotics tooling: \$900,000
- Quality control systems: \$600,000

2. Research & Development (\$3,800,000)

- Cold chamber testing facility: \$1,800,000
- Navigation systems lab: \$1,200,000
- Prototype development center: \$800,000

3. Facility Improvements (\$2,450,000)

- Clean room expansion: \$1,200,000
- HVAC upgrades: \$650,000

- Security systems: \$600,000
4. Information Technology (\$1,300,000)
- Engineering software licenses: \$500,000
 - Server infrastructure: \$450,000
 - Cybersecurity systems: \$350,000

4. FUNDING SOURCES

1. The CapEx Budget shall be funded through:
- Operating cash flow: \$7,750,000
 - Existing credit facility: \$3,000,000
 - Equipment financing: \$2,000,000

5. IMPLEMENTATION SCHEDULE

1. Q1 2024 (\$3,200,000)
- Manufacturing equipment procurement
 - Initial facility improvements
2. Q2 2024 (\$4,100,000)
- R&D facility construction
 - Clean room expansion
3. Q3 2024 (\$3,450,000)
- Testing facility completion
 - IT infrastructure upgrades
4. Q4 2024 (\$2,000,000)
- Final equipment installation
 - System integration

6. APPROVAL REQUIREMENTS

1. Individual expenditures exceeding \$250,000 require CFO approval
2. Expenditures exceeding \$500,000 require CEO approval

3. Expenditures exceeding \$1,000,000 require Board approval
4. Cumulative variance exceeding 10% of total budget requires Board review

7. REPORTING AND MONITORING

1. Monthly CapEx reports shall be submitted to the CFO including:
 - Actual vs. budgeted expenditures
 - Project completion status
 - Variance analysis
 - Updated cash flow projections
2. Quarterly reviews shall be conducted by the Board's Finance Committee

8. CONTINGENCY PROVISIONS

1. A contingency reserve of \$750,000 is established
2. Access to contingency funds requires joint approval of CEO and CFO
3. Contingency usage shall be reported to the Board quarterly

9. LEGAL COMPLIANCE

1. All expenditures shall comply with:
 - Delaware corporate law
 - SEC regulations
 - Environmental regulations
 - Safety standards

10. AMENDMENTS

This CapEx Budget may be amended only by Board resolution, except for line-item adjustments within 10% of approved amounts as authorized by the CEO and CFO jointly.

APPROVALS

APPROVED by the Board of Directors on December 15, 2023

—

Dr. Elena Frost

Chief Executive Officer

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Katherine Wells

Chief Financial Officer

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Marcus Chen

Chief Technology Officer

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Sarah Nordstrom

Chief Operating Officer

ATTEST:

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Corporate Secretary