

ROBOT DEVELOPMENT COST CAPITALIZATION POLICY

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Polar Dynamics Robotics, Inc.

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1. PURPOSE AND SCOPE

1. This Robot Development Cost Capitalization Policy ("Policy") establishes the accounting treatment for costs incurred in the development of robots.
2. This Policy applies to all internal and external costs related to the research and development of robots.

2. DEFINITIONS

1. "Development Costs" means direct costs incurred in the development

a) Direct labor costs for engineering and technical staff

b) Materials and components used in prototypes

c) Third-party consulting and development services

d) Testing and certification expenses

e) Patent and intellectual property registration costs

2. "Research Costs" means expenditures incurred in the preliminary in

3. "Technical Feasibility" means the point at which the Company can

3. CAPITALIZATION CRITERIA

1. Development costs shall be capitalized when all of the following criteria are met:

- a) Technical feasibility of completing the robotics system has been established
- b) The Company intends to complete development and market the system
- c) The Company has the ability to use or sell the completed system
- d) The method by which the system will generate future economic benefits has been demonstrated
- e) Adequate technical, financial, and other resources exist to complete development
- f) The costs attributable to the system can be reliably measured

2. Research costs and costs incurred prior to establishing technical feasibility shall be expensed as incurred.

4. SPECIFIC COST TREATMENT

1. BlueGore(TM) Platform Development

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Core navigation system development costs shall be capitalized post-to

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Integration testing for cold-environment applications shall be capitalized

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Initial research into temperature resistance shall be expensed

2. Hardware Components

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Prototype materials after technical feasibility shall be capitalized

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Failed prototype costs shall be expensed

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Production tooling and molds shall be capitalized separately

3. Software Development

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Costs for coding and testing after technical feasibility shall be capitalized

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Configuration management and version control systems shall be expensed

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Third-party software licenses shall be capitalized if part of the final product

5. AMORTIZATION

1. Capitalized development costs shall be amortized using the straight-line method

2. Amortization shall begin when the robotics system is ready for its intended use

3. The Company shall review the amortization period and method annually

6. IMPAIRMENT TESTING

1. Capitalized development costs shall be reviewed for impairment wh

2. Impairment testing shall consider:

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Market conditions and competitive developments

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Technological obsolescence

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Changes in customer requirements

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Manufacturing cost variations

7. DOCUMENTATION REQUIREMENTS

1. The following documentation must be maintained to support capital

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Technical feasibility assessments

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Project authorization forms

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Detailed time tracking records

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Third-party development contracts

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Testing and certification results

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Cost allocation worksheets

8. REVIEW AND APPROVAL

1. All capitalization decisions must be reviewed and approved by:

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Chief Financial Officer

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Chief Technology Officer

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Corporate Controller

9. POLICY ADMINISTRATION

1. The Finance Department shall be responsible for maintaining this Policy.

2. This Policy shall be reviewed annually and updated as necessary to reflect changes in the business environment.

APPROVAL AND EXECUTION

APPROVED AND ADOPTED by the Board of Directors of Polar Dyna
on December 15, 2023.

By:

Victoria Wells

Chief Financial Officer

By:

Marcus Chen

Chief Technology Officer

Date:

