

POLAR DYNAMICS ROBOTICS, INC.

POLAR DYNAMICS ROBOTICS, INC.

Consolidated Financial Statements

For the Quarter and Year Ended December 31, 2023

(Expressed in United States Dollars)

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1. INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of Polar Dynamics Robotics

We have audited the accompanying consolidated financial statements of Polar Dynamics Robotics, Inc. and its subsidiaries (the "Company"), which consist of consolidated balance sheets as of December 31, 2023 and 2022, and consolidated statements of operations and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles

generally accepted in the United States of America.

Auditor's Opinion

In our opinion, the consolidated financial statements referred to above fairly, in all material respects, the financial position of Polar Dynamics Robotics, Inc. and its subsidiaries as of December 31, 2023 and 2022 results of their operations and cash flows for the years then ended, in conformity with U.S. GAAP.

Davidson, Thompson & Associates, LLP

Boston, Massachusetts

February 15, 2024

2. CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

ASSETS

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December 31, 2023 December 31, 2022

Current Assets:

Cash and equivalents	\$ 12,450	\$ 8,725
Accounts receivable, net	7,850	5,240
Inventory	4,320	3,875
Prepaid expenses	1,230	985
Total Current Assets	25,850	18,825

Non-Current Assets:

Property and equipment, net	15,420	12,650
Intangible assets	8,750	7,250
Goodwill	3,500	3,500

Other assets	1,850	1,425
Total Non-Current Assets	29,520	24,825
TOTAL ASSETS	\$ 55,370	\$ 43,650

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LIABILITIES AND STOCKHOLDERS' EQUITY

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Current Liabilities:

Accounts payable	\$ 3,850	\$ 3,125
Accrued expenses	2,750	2,240
Current portion of debt	1,500	1,500
Total Current Liabilities	8,100	6,865

Long-term Liabilities:

Long-term debt	12,500	14,000
Other liabilities	1,850	1,425
Total Long-term Liabilities	14,350	15,425
Stockholders' Equity:		
Common stock	125	120
Additional paid-in capital	45,250	32,750
Accumulated deficit	(12,455)	(11,510)
Total Stockholders' Equity	32,920	21,360
TOTAL LIABILITIES AND EQUITY	\$ 55,370	\$ 43,650
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3. CONSOLIDATED STATEMENTS OF OPERATION

(in thousands, except per share data)

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Year Ended	Year Ended
Dec 31, 2023	Dec 31, 2022

Revenue:

Product sales	\$ 28,750	\$ 22,500
Service revenue	2,750	1,850
Total Revenue	31,500	24,350

Cost of Revenue:

Product costs	14,375	11,250
Service costs	1,375	925
Total Cost of Revenue	15,750	12,175

Gross Profit	15,750	12,175
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Operating Expenses:

Research and development	6,850	5,240
Sales and marketing	4,750	3,850
General and administrative	4,250	3,750
Total Operating Expenses	15,850	12,840

Operating Loss	(100)	(665)
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Other Income (Expense):

Interest expense	(950)	(875)
Other income	105	85
Total Other Income (Expense)	(845)	(790)

Net Loss	\$	(945)	\$	(1,455)
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Net Loss per Share:

Basic and diluted	\$	(0.08)	\$	(0.12)
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4. CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands)

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Year Ended	Year Ended
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Dec 31, 2023	Dec 31, 2022
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Operating Activities:

Net loss	\$	(945)	\$	(1,455)
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Adjustments to reconcile:

Depreciation and amortization	3,250	2,850
Stock-based compensation	1,250	950
Changes in operating assets	(2,580)	(1,850)
Net cash from operations	975	495

Investing Activities:

Capital expenditures	(4,250)	(3,750)
Acquisitions	(1,500)	(2,500)
Net cash used in investing	(5,750)	(6,250)

Financing Activities:

Debt proceeds	2,500	5,000
Debt payments	(4,000)	(2,500)

Stock issuance	10,000	8,500
Net cash from financing	8,500	11,000
Net Change in Cash	3,725	5,245
Cash at Beginning of Year	8,725	3,480
Cash at End of Year	\$ 12,450	\$ 8,725

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5. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5.1 Organization and Business

Polar Dynamics Robotics, Inc. ("the Company") is a Delaware corporation incorporated in 2018 that develops and manufactures autonomous mobile robots for use in extreme-condition environments. The Company's primary products utilize its proprietary BlueCore(TM) technology for cold-environment operations.

5.2 Summary of Significant Accounting Policies

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606. Product revenue is recognized upon transfer of control to customers. Service revenue is recognized over time as services are delivered.

Research and Development

R&D costs are expensed as incurred and primarily consist of personnel costs, prototype materials, and third-party development services.

Stock-Based Compensation

Stock-based compensation is measured at grant date fair value and expensed over the requisite service period.

5.3 Debt and Credit Facilities

The Company maintains a \$20 million credit facility with Silicon Valley Bank, which \$14 million was drawn as of December 31, 2023. The facility bears interest at LIBOR plus 4.5% and matures in 2026.

5.4 Stockholders' Equity

The Company has authorized 15 million shares of common stock. As of December 31, 2023, 12.5 million shares were issued and outstanding. During 2023, the Company issued 500,000 new shares through a Series C financing round.

5.5 Subsequent Events

Management has evaluated subsequent events through February 15, 2024, the date these financial statements were available to be issued. No material subsequent events were identified requiring disclosure.

[End of Financial Statements]

