

# **INVENTORY VALUATION REPORT**

## **INVENTORY VALUATION REPORT**

**Polar Dynamics Robotics, Inc.**

For the Period Ending December 31, 2023

### **1. EXECUTIVE SUMMARY**

This Inventory Valuation Report (the "Report") has been prepared by the Finance Department of Polar Dynamics Robotics, Inc. (the "Company") in accordance with GAAP principles and the Company's established inventory accounting policies. The Report reflects the valuation of all Company inventory as of December 31, 2023.

Total Inventory Value: \$12,847,325

Comprising:

-

Raw Materials: \$4,236,891

-

Work in Progress: \$3,124,567

-

Finished Goods: \$5,485,867

## **2. SCOPE AND METHODOLOGY**

1 Valuation Methods

-

First-in-First-out (FIFO) methodology applied consistently across all in

-

Lower of cost or net realizable value (LCNRV) principle observed

-

Physical inventory count conducted December 28-30, 2023

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Cycle counting procedures validated through internal audit

## 2 Inventory Categories

-

BlueCore(TM) components and subsystems

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Chassis and structural elements

-

Electronic control systems

-

Navigation sensors and modules

- - 3 -

Battery and power systems

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Finished AMR units

### 3. DETAILED VALUATION BY CATEGORY

1 Raw Materials (\$4,236,891)

Component Category	Quantity	Unit Cost	Total Value
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Cold-rated processors	1,245	\$892	\$1,110,540
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Reinforced chassis materials	2,850	\$425	\$1,211,250
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Sensor arrays	785	\$1,245	\$977,325
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Power cells	1,560	\$602	\$937,776
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2 Work in Progress (\$3,124,567)

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Partially assembled navigation systems: \$1,245,678

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Semi-completed chassis assemblies: \$892,345

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Control system integration units: \$986,544

3 Finished Goods (\$5,485,867)

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Arctic Series AMRs: \$2,845,678

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Polar Navigator Units: \$1,624,567

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ColdStore Autonomous Units: \$1,015,622

## 4. VALUATION ADJUSTMENTS

1 Obsolescence Reserve

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Total reserve: (\$425,678)

-

Applied to discontinued navigation modules

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Legacy control system components marked for disposal

2 Market Value Adjustments

-

Downward adjustment of \$156,789 applied to Q2 2023 inventory

-

Price protection agreements impact: (\$89,456)

## 5. INVENTORY AGING ANALYSIS

Age Category | Value | % of Total

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0-90 days | \$8,245,678 | 64.2%

91-180 days | \$2,856,789 | 22.2%

181-270 days | \$1,245,678 | 9.7%

271+ days | \$499,180 | 3.9%

## 6. CERTIFICATION AND CONTROLS

1 Internal Controls

-

Perpetual inventory system maintained in SAP

- - 7 -

Monthly cycle counts performed

-

Segregation of duties between receiving, storage, and shipping

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Regular reconciliation with general ledger

## 2 Quality Assurance

-

ISO 9001:2015 compliance maintained

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Temperature monitoring systems operational

-

Humidity control protocols followed

-



Component traceability maintained

## **7. RISK FACTORS AND CONTINGENCIES**

### **1 Identified Risks**

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Supply chain disruptions affecting semiconductor availability

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Raw material price volatility

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Storage facility capacity constraints

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Technology obsolescence risk

### **2 Mitigation Measures**

- - 9 -

Strategic supplier agreements in place

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Buffer stock maintained for critical components

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Regular demand forecasting reviews

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Engineering change management process

## **8. CERTIFICATION**

The undersigned hereby certifies that this Inventory Valuation Report presents, in all material respects, the inventory position of Polar Dynamics Robotics, Inc. as of December 31, 2023.

Prepared by:

/s/ Amanda Chen

Amanda Chen, CPA

Senior Inventory Accountant

Reviewed and Approved by:

/s/ Victoria Wells

Victoria Wells

Chief Financial Officer

Date: January 15, 2024

## **9. DISCLAIMERS**

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transaction due diligence. The information contained herein is confidential and proprietary to Polar Dynamics Robotics, Inc. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this Report. This Report should be read in conjunction with the Company's audited financial statements and other financial reports.

