

CASH BURN ANALYSIS - Q3 2023

POLAR DYNAMICS ROBOTICS, INC.

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Date: October 15, 2023

Period Covered: July 1, 2023 - September 30, 2023

1. EXECUTIVE SUMMARY

This Cash Burn Analysis provides a detailed examination of Polar Dynamics Robotics, Inc.'s ("Company") cash utilization for Q3 2023, including operational expenses, capital expenditures, and projected runway. This document has been prepared in accordance with GAAP principles and the Company's internal financial controls.

2. QUARTERLY CASH FLOW METRICS

2.1 Operating Cash Burn

- Monthly Average Operating Burn: \$1.85M
- Q3 Total Operating Cash Burn: \$5.55M
- Primary Burn Components:
- R&D: \$2.3M (41.4%)
- Manufacturing: \$1.6M (28.8%)
- SG&A: \$1.15M (20.7%)
- Other Operating Expenses: \$500K (9.1%)

2.2 Capital Expenditures

- Q3 Total CapEx: \$2.1M
- Facility Expansion: \$1.2M
- Equipment & Tooling: \$650K
- Software & IT Infrastructure: \$250K

2.3 Revenue Offset

- Q3 Revenue: \$8.9M

- Gross Margin: 42%
- Net Cash Generation from Operations: \$3.74M

3. CASH POSITION ANALYSIS

3.1 Current Cash Position

- Beginning Q3 Balance: \$28.5M
- Ending Q3 Balance: \$24.59M
- Net Change: (\$3.91M)

3.2 Cash Reserves

- Restricted Cash: \$3.5M
- Available Operating Cash: \$21.09M
- Emergency Reserve: \$5M

4. BURN RATE ANALYSIS

4.1 Historical Trend

- Q1 2023 Monthly Burn: \$1.72M
- Q2 2023 Monthly Burn: \$1.78M
- Q3 2023 Monthly Burn: \$1.85M
- YoY Change: +12.8%

4.2 Burn Rate Drivers

Increased R&D investment in IceNav AI platform

Expansion of manufacturing capacity

New hire onboarding (Engineering: 12, Sales: 8)

Facility expansion costs

5. RUNWAY PROJECTION

5.1 Base Case Scenario

- Current Runway: 11.4 months
- Assumptions:
- Consistent monthly burn of \$1.85M

- No additional funding
- Revenue growth at current trajectory
- Existing contracts maintained

5.2 Conservative Scenario

- Adjusted Runway: 9.2 months
- Assumptions:
- 15% increase in monthly burn
- 10% revenue decrease
- No additional funding

6. RISK FACTORS

6.1 Identified Risks

Supply chain cost volatility

Extended sales cycles in enterprise contracts

R&D cost overruns in thermal management systems

Labor market pressure in robotics engineering

6.2 Mitigating Factors

Series C funding reserve

Flexible manufacturing arrangements

Strategic vendor partnerships

Revenue diversification initiatives

7. OPTIMIZATION INITIATIVES

7.1 Current Programs

Vendor consolidation program

Manufacturing efficiency improvements

Cloud infrastructure optimization

Working capital management

7.2 Expected Impact

- Q4 2023 Projected Savings: \$220K
- 2024 Annual Projected Savings: \$1.2M

8. CERTIFICATION

The undersigned certifies that this Cash Burn Analysis presents a true and accurate representation of the Company's cash position and burn rate for the period specified, prepared in accordance with standard accounting practices and internal controls.

Certified by:

/s/ Katherine Wells

Katherine Wells

Chief Financial Officer

Polar Dynamics Robotics, Inc.

Date: October 15, 2023

9. DISCLAIMER

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