

INVENTORY CYCLE COUNT PROCEDURE

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NaviFloor Robotics, Inc.

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1. PURPOSE AND SCOPE

1. This Inventory Cycle Count Procedure ("Procedure") establishes the process for conducting regular inventory cycle counts to ensure accurate stock levels and identify discrepancies.
2. This Procedure applies to all Company facilities, including the primary warehouse and all retail locations.

2. DEFINITIONS

1. "Cycle Count" means a physical inventory counting method where i
2. "High-Value Items" means inventory items with unit costs exceeding
3. "WMS" means the Company's Warehouse Management System (N

3. COUNTING FREQUENCY

1. High-Value Items shall be counted monthly.
2. Standard components shall be counted quarterly according to the f
 - a) Class A items (>\$1,000): Monthly
 - b) Class B items (\$250-\$1,000): Bi-monthly

c) Class 2C items (<\$250): Quarterly

3. Raw materials shall be counted bi-monthly.

4. COUNTING PROCEDURES

1. Pre-Count Requirements

- a) The Inventory Control Manager shall generate cycle count sheets for
- b) All material movements shall be suspended in count areas
- c) All pending transactions shall be processed before counting
- d) Count teams shall be assigned by the Inventory Control Manager

2. Count Execution

- a) Two-person count teams shall perform independent counts
- b) Teams shall document:

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Item number

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Serial number (for High-Value Items)

-

Location

-

Quantity

-

Condition

-

Date and counter identification

3. Reconciliation

a) Variances exceeding 2% require immediate recount

- b) Variances exceeding 5% require supervisor investigation
- c) All variances shall be documented in the Variance Log

5. SPECIAL HANDLING

1. Prototype Units

- a) Prototype AMR units shall be counted weekly
- b) Engineering shall verify prototype configurations
- c) Separate tracking required for customer trial units

2. Customer-Owned Inventory

- a) Segregated storage required
- b) Monthly reporting to Finance Department
- c) Separate cycle count schedule maintained

6. DOCUMENTATION

1. Required Records

- a) Cycle count sheets
- b) Variance reports
- c) Adjustment authorizations
- d) Investigation reports
- e) Monthly reconciliation summaries

2. Retention

- a) All count documentation shall be retained for 7 years
- b) Electronic records shall be backed up weekly
- c) Access restricted to authorized personnel

7. RESPONSIBILITIES

1. Inventory Control Manager

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Schedule development

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Team assignments

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Variance investigation

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Monthly reporting

2. Count Teams

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Physical counting

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Documentation

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Initial variance identification

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Location verification

3. Finance Department

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Value reconciliation

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Adjustment approval

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Audit support

8. COMPLIANCE AND AUDIT

1. Internal Audit

- a) Quarterly review of procedures
- b) Random count verification
- c) Documentation audit

2. External Audit Support

- a) Annual inventory certification
- b) Auditor access coordination
- c) Supporting documentation preparation

9. AMENDMENTS

1. This Procedure may be amended by the Company's Operations De
2. All amendments shall be documented and communicated to affecte

10. APPROVAL AND EXECUTION

APPROVED AND ADOPTED this 15th day of January, 2024.

NAVIFLOOR ROBOTICS, INC.

By:

Richard Torres

Chief Operating Officer

By:

James Wilson

Chief Financial Officer

ATTEST:

Corporate Secretary

