

INVENTORY VALUATION REPORT

Polar Dynamics Robotics, Inc.

As of December 31, 2023

Prepared by Finance Department

Report Reference: IVR-2023-Q4-001

1. EXECUTIVE SUMMARY

This Inventory Valuation Report provides a comprehensive analysis and valuation of inventory held by Polar Dynamics Robotics, Inc. ("the Company") as of December 31, 2023. The inventory valuation has been conducted in accordance with GAAP principles and the Company's established accounting policies.

Total Inventory Value: \$14,275,000

Comprising:

- Raw Materials: \$5,850,000
- Work in Progress: \$4,125,000
- Finished Goods: \$4,300,000

2. VALUATION METHODOLOGY

1 **Basis of Valuation**

- Lower of cost or net realizable value (LCRV)
- First-in, First-out (FIFO) inventory costing method
- Weighted average cost for commodity components

2 **Cost Components**

- Direct materials
- Direct labor
- Manufacturing overhead allocation
- Import duties and non-recoverable taxes
- Inbound freight and handling

3. INVENTORY CATEGORIES AND VALUATION

3.1 Raw Materials

3.1.1 Critical Components

- Proprietary cold-resistant actuators: \$2,100,000
- Thermal management system components: \$1,450,000
- Navigation sensors and hardware: \$975,000
- Circuit boards and electronics: \$825,000

3.1.2 Standard Components

- Structural materials: \$275,000
- Fasteners and connectors: \$125,000
- Packaging materials: \$100,000

3.2 Work in Progress

3.2.1 Assembly Stages

- Initial assembly: \$1,225,000
- Systems integration: \$1,750,000
- Testing and calibration: \$1,150,000

3.3 Finished Goods

3.3.1 Product Lines

- IceNav AMR-500 Series: \$2,250,000
- IceNav AMR-750 Series: \$1,450,000
- Spare Parts and Accessories: \$600,000

4. INVENTORY AGING ANALYSIS

4.1 Raw Materials

- 0-90 days: 65%
- 91-180 days: 25%
- 181-365 days: 8%
- >365 days: 2%

4.2 Finished Goods

- 0-90 days: 75%
- 91-180 days: 20%
- 181-365 days: 5%
- >365 days: 0%

5. OBSOLESCENCE AND IMPAIRMENT

1 ****Provision for Obsolescence****: \$275,000

- Slow-moving components: \$125,000
- Technological obsolescence: \$100,000
- Damaged inventory: \$50,000

2 ****Impairment Testing****

- Last conducted: December 15, 2023
- No material impairment identified beyond stated provisions

6. INVENTORY CONTROLS AND PROCEDURES

1 ****Physical Count Procedures****

- Full physical count conducted quarterly
- Cycle counts performed weekly
- RFID tracking for high-value components
- Temperature-monitored storage facilities

2 ****Quality Control Measures****

- ISO 9001:2015 certified processes
- Component testing protocols
- Environmental condition monitoring
- Supplier quality management program

7. CERTIFICATIONS AND COMPLIANCE

The undersigned hereby certify that:

This inventory valuation has been prepared in accordance with GAAP and company policies

Physical inventory counts have been conducted and reconciled

Appropriate provisions for obsolescence have been recorded

All material facts have been disclosed

8. DISCLAIMERS AND LIMITATIONS

This report:

- Is prepared solely for internal management and due diligence purposes
- Reflects point-in-time valuations subject to market conditions
- Should be read in conjunction with audited financial statements
- May contain forward-looking statements subject to change

9. AUTHORIZATION

PREPARED BY:

Sarah Thompson

Senior Inventory Controller

Date: January 15, 2024

REVIEWED BY:

Katherine Wells

Chief Financial Officer

Date: January 15, 2024

APPROVED BY:

Dr. Elena Frost

Chief Executive Officer

Date: January 15, 2024

[Corporate Seal]

Polar Dynamics Robotics, Inc.

Delaware Corporation

EIN: XX-XXXXXXX