

ROBOTICS SERVICE CONTRACT REVENUE RECOGNITION POLICY

Polar Dynamics Robotics, Inc.

Effective Date: January 1, 2024

Document Version: 3.2

Policy Control Number: FIN-REV-2024-001

1. PURPOSE AND SCOPE

1. This Revenue Recognition Policy ("Policy") establishes the guidelines and procedures for recognizing revenue from robotics service contracts entered into by Polar Dynamics Robotics, Inc. ("Company") in accordance with ASC 606 - Revenue from Contracts with Customers.

2. This Policy applies to all service contracts related to:

- a) IceNav(TM) Platform Licensing
- b) AMR Deployment Services
- c) Maintenance and Support Services
- d) Performance Optimization Services
- e) Cold Environment Calibration Services

2. DEFINITIONS

1. "Service Contract" means any agreement for the provision of robotics-related services, including but not limited to deployment, maintenance, support, and optimization services.

2. "Performance Obligation" means a promise in a contract to transfer a distinct good or service to the customer.

3. "Transaction Price" means the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer.

3. REVENUE RECOGNITION CRITERIA

1. Revenue shall be recognized when (or as) the Company satisfies a performance obligation by transferring promised services to a customer. A service is transferred when (or as) the customer

obtains control of that service.

2. For each performance obligation, the Company shall determine whether it satisfies the performance obligation:

- a) Over time; or
- b) At a point in time

4. SERVICE CONTRACT CATEGORIES AND RECOGNITION

1. IceNav(TM) Platform Licensing

- Recognition: Monthly over the term of the license
- Measurement: Based on contracted monthly fee
- Special Considerations: Usage-based components recognized monthly in arrears

2. AMR Deployment Services

- Recognition: Upon completion of deployment milestones
- Measurement: Percentage of completion method
- Documentation Required: Signed deployment acceptance certificates

3. Maintenance and Support Services

- Recognition: Ratably over the service period
- Measurement: Straight-line basis
- Exceptions: Emergency service calls recognized upon completion

5. PERFORMANCE OBLIGATIONS

1. Identification of Distinct Performance Obligations

The Company shall identify the following as separate performance obligations:

- a) Initial deployment and configuration
- b) Software licensing and updates
- c) Ongoing maintenance services
- d) Technical support
- e) Performance optimization

2. Allocation of Transaction Price

The transaction price shall be allocated to each performance obligation based on:

- a) Standalone selling prices
- b) Observable market prices
- c) Expected cost plus margin approach

6. CONTRACT MODIFICATIONS

1. Contract modifications shall be treated as:

- a) Separate contracts if additional distinct services are added at standalone prices
- b) Termination of existing contract and creation of new contract if remaining services are distinct
- c) Continuation of existing contract if remaining services are not distinct

7. COSTS AND EXPENSES

1. Contract Acquisition Costs

- Capitalization threshold: \$10,000
- Amortization period: Over expected customer relationship period
- Recognition: Straight-line basis

2. Contract Fulfillment Costs

- Capitalization criteria must be met
- Direct labor and materials
- Allocated overhead costs

8. DOCUMENTATION REQUIREMENTS

1. Required Documentation

- a) Executed service agreements
- b) Deployment acceptance certificates
- c) Monthly service reports
- d) Performance milestone certificates
- e) Revenue recognition calculations

2. Retention Period

All documentation shall be retained for a minimum of seven (7) years.

9. REPORTING AND REVIEW

1. Monthly Review

- Revenue recognition calculations
- Contract performance status
- Modification impacts
- Variance analysis

2. Quarterly Review

- Contract portfolio analysis
- Revenue forecasting
- Recognition policy compliance
- Adjustment recommendations

10. COMPLIANCE AND CONTROLS

1. Internal Controls

- Segregation of duties
- Review and approval procedures
- System access controls
- Documentation requirements

2. Audit Requirements

- Quarterly internal reviews
- Annual external audit
- SOX compliance documentation

11. AMENDMENTS AND UPDATES

1. This Policy shall be reviewed annually and updated as necessary to reflect:

- Changes in accounting standards
- Regulatory requirements
- Business model evolution
- System capabilities

12. APPROVAL AND EXECUTION

APPROVED AND ADOPTED by the Board of Directors of Polar Dynamics Robotics, Inc.

Date: January 1, 2024

—

Katherine Wells

Chief Financial Officer

—

Elena Frost, Ph.D.

Chief Executive Officer

—

Corporate Secretary

[CORPORATE SEAL]