WEATHERFLOW-TEMPEST, INC.

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023, AND 2022

(Expressed in United States Dollars)

WeatherFlow-Tempest, Inc.
Index

WeatherFlow-Tempest, Inc.
(A Delaware Corporation)
Balance Sheets
For the Years Ending December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash & Cash Equivalents	670,360	167,334
Accounts Receivable	569,516	121,751
Due from Related Parties	259,061	53,076
Inventory	1,028,720	701,273
Prepaids & Other Current Assets	532,251	1,352,611
Total Current Assets	**3,059,909**	**2,396,046**
Fixed Assets & Intangibles		
Property & Equipment, net	8,531	38,587
Intangible Assets, net	50,000	61,000
Total Fixed Assets & Intangibles	**58,531**	**99,587**
Other Assets		
Security Deposits	1,192	1,192
Total Other Assets	**1,192**	**1,192**
TOTAL ASSETS	**3,119,631**	**2,496,824**
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	789,508	881,934
Credit Cards	79,244	121,884
Deferred Revenue	33,001	1,075
Accrued Expenses	83,132	420,159
Short Term Borrowings	1,369,719	586,631
Total Current Liabilities	**2,354,604**	**2,011,684**
Long-Term Liabilities		
Convertible Note	1,411,164	1,325,064
Total Long-Term Liabilities	**1,411,164**	**1,325,064**
Total Liabilities	**3,765,768**	**3,336,748**
Equity		
Common Stock	13,595	12,900
Additional Paid-In Capital	3,075,623	3,076,318
StartEngine Receipts	3,609,910	2,174,035
Retained Earnings	(6,103,177)	(3,509,717)
Net Loss	(1,242,088)	(2,593,460)
Total Equity	**(646,137)**	**(839,924)**
TOTAL LIABILITIES AND EQUITY	**3,119,631**	**2,496,824**

See accompanying notes to the financial statements

WeatherFlow-Tempest, Inc.

(A Delaware Corporation)

Income Statements

For the Years Ending December 31, 2023 and 2022

	2023	2022
Revenue	12,211,159	9,251,465
Cost of Goods Sold	5,631,847	4,419,002
Gross Profit	**6,579,312**	**4,832,463**
Operating Expenses		
General & Administrative	5,920,568	5,699,713
Marketing	1,306,997	1,398,929
R&D Expenses	295,585	143,229
Total Expenses	**7,523,149**	**7,241,871**
Net Operating Income (Loss)	**(943,838)**	**(2,409,408)**
Interest Expense	200,506	155,966
Depreciation & Amortization	46,414	27,286
Income Tax	800	800
M&A Activities Expenses	50,530	0
Net Other Income (Expense)	**(298,251)**	**(184,052)**
Net Income (Loss)	**(1,242,088)**	**(2,593,460)**

See accompanying notes to the financial statements

WeatherFlow-Tempest Inc

(A Delaware Corporation)

Statements of Cash Flow

For the Years Ending December 31, 2023 & 2022

	2023	2022
OPERATING ACTIVITIES		
Net Income (Loss)	(1,252,976)	(2,593,460)
Adjustments to reconcile Net Income to Net Cash provided by operations:		
Depreciation & Amortization	2,419	27,286
Accounts Receivable	(436,858)	47,377
Inventory	(327,447)	(103,646)
Prepaid Expenses & Deposits	571,779	(618,859)
Deposit - TOA Licensing Option		(100,000)
Accounts Payable	(298,410)	766,821
Accrued Interest on Convertible Notes	86,100	95,064
Credit Card	(18,065)	5,516
Other Current Liabilities	417,620	(484,229)
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	**(2,863)**	**(364,669)**
Net cash provided by (used in) operating activities	**(1,255,840)**	**(2,958,129)**
INVESTING ACTIVITIES		
Purchases of property & equipment	38,637	
Net cash provided by investing activities	**38,637**	**0**
FINANCING ACTIVITIES		
Short term Borrowings	284,354	469,472
Convertible Notes Payable		300,000
Issuance of Common Stock	1,435,875	1,470,435
Net cash provided by financing activities	**1,720,229**	**2,239,906**
Net cash increase (decrease) for period	**503,026**	**(718,223)**
Cash at beginning of period	167,334	885,557
Cash at end of period	670,360	167,334

WeatherFlow-Tempest, Inc.
Notes to Financial Statements

December 31, 2023

NATURE OF OPERATIONS

WeatherFlow-Tempest, Inc. (which may be referred to hereafter as the "Company", "we", "us", or "our") was incorporated in the state of Delaware on December 26, 2018, and is headquartered in Scotts Valley, CA.

WeatherFlow-Tempest, Inc. operates in the private weather industry, selling products and services that deliver weather data - both observations and forecasts. Products and services include weather stations systems, weather meters, subscription applications, SaaS tools, and licensed data.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company conforms to accounting principles generally accepted in the United States of America ("US GAAP") for our accounting and reporting policies. We report based on the calendar year.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as revenue and expenses during the reporting period. Estimates may also affect disclosures of contingent assets and liabilities at the date of the financial statements. Actual results may vary from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents encompass all cash in bank accounts. The Company's cash is held in demand accounts at financial institutions deemed creditworthy by management.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the net realizable value, representing the amount expected to be collected from gross customer trade receivables.

We assess potential losses on receivables by considering known troubled accounts and historical loss experience. Receivables are considered impaired and written-off when it is probable that all contractual payments due will not be collected in accordance with the terms of the agreement.

As of December 31, 2023, the Company determined that no reserve was necessary.

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of raw materials and finished goods is determined using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are recorded at their original cost. Regular repair and maintenance expenses are expensed when incurred, while significant improvements or additions are capitalized. When assets are disposed of, their cost and accumulated depreciation are removed from the corresponding balance sheet accounts at the time of disposal, and any resulting gains or losses are recorded on the income statement.

For financial statement purposes, depreciation is calculated using the double-declining balance (DDB) method over the estimated useful lives of the assets (or the lease term for operating leases). The estimated service lives for fixed assets are as follows:

Category	Useful Life
Machinery & Equipment	5 Years
Furniture & Fixtures	5-7 Years
Computer Equipment	3-5 Years
Leasehold Improvements	15 Years (or remaining life of the lease)

Impairment of Long-lived Assets

Long-lived assets, such as property, equipment, and finite-life intangibles, undergo impairment assessment when events suggest their carrying amounts may not be recoverable. We monitor indicators like adverse changes in use, extent, or condition.

Assets are assessed at the lowest level with identifiable cash flows, usually by location. Factors include, but are not limited to, future operating plans and cash flows. If the asset's carrying value exceeds undiscounted future cash flows, impairment may occur.

Impairment is recognized when an asset's carrying amount exceeds its fair value. Fair value is determined by discounting estimated future cash flows. If the carrying amount exceeds fair value, an impairment charge is recorded.

Intangible Assets

The Company capitalizes professional fees related to patenting our intellectual property. These costs are amortized over the expected period of benefit, not to exceed the patent lives, which may extend up to 10 years.

Income Taxes

WeatherFlow-Tempest, Inc. is a C corporation for income tax purposes.

The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities reflect future tax consequences from differences between financial statement carrying values and their respective tax bases. These are measured using enacted tax rates for the year of expected recovery or settlement.

A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the deferred tax asset will not be realized. Interest accrued on potential income tax contingencies, net of any applicable income tax benefit, is recorded as a component of income tax expense.

The Company records tax positions taken (or expected to be taken) on a tax return, based upon the amount that is more likely than not to be realized or paid, including position taken in connection with the resolution of any related appeals or other legal processes. Accordingly, the Company recognizes liabilities for certain unrecognized tax benefits based on the amounts that are more likely than not to be settled with the relevant taxing authority.

The Company recognizes interest and/or penalties related to unrecognized tax benefits as a component of income tax expense.

Concentration of Credit Risk

The Company holds cash in demand accounts with a prominent financial institution, located in the United States of America, which management believes to be creditworthy. These balances are insured by the Federal Deposit Insurance Corporation (FDIC Insured), providing coverage of up to $250,000. At times, the Company may maintain balances surpassing the federally insured limits.

Revenue Recognition

ASC Topic 606, "Revenue from Contracts with Customers", establishes principles for reporting information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers.

Revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company applies the following five steps to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements:

1) Identify the contract with a customer.
2) Identify the performance obligations in the contract.
3) Determine the transaction price.
4) Allocate the transaction price to performance obligations in the contract; and
5) Recognize the revenue as the performance obligation is satisfied.

The Company generates revenues from subscriptions to its weather applications and sales of Tempest weather devices.

Cost of Sales

Cost of goods sold includes hardware costs, fees for data services, cloud and server services for applications, freight, delivery costs, packaging, and related expenses.

Advertising and Promotion

Advertising and promotional costs are recognized as expenses when incurred. For the years ended December 31, 2023, and December 31, 2022, advertising and promotional expenses amounted to $996,710 and $942,663, respectively, and are included in the sales and marketing expense category.

Research and Development Costs

The costs associated with the research and development of the Company's products are recognized as expenses when they are incurred.

Fair Value of Financial Instruments

The carrying value of the Company's financial instruments in current assets and liabilities, such as cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, approximates fair value due to their short-term nature.

Fair value measurements are based on a hierarchy that prioritizes different types of inputs used in valuation techniques. These levels, from highest to lowest priority, are described below:

- **Level 1:** Quoted, unadjusted prices in active markets accessible at the measurement date for identical assets or liabilities.

- **Level 2:** Observable prices based on inputs not quoted on active markets but supported by market data.

- **Level 3:** Unobservable inputs reflecting the Company's assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Subsequent Events

The Company reviews events or transactions that occur after the balance sheet date but before the issuance of financial statements to gather additional evidence for certain estimates or to identify any matters requiring disclosure. Subsequent events have been evaluated up to March 31, 2024, the date of financial statement issuance.

Recently Issued and Adopted Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issues Accounting Standards Updates (ASUs) to amend the authoritative literature in the Accounting Standards Codification (ASC). While several ASUs have been issued from the beginning of 2023 to date, management believes that those issued to date either provide supplemental guidance, are technical corrections, are not applicable, or are not expected to significantly impact financial statements.

DETAILS OF CERTAIN ASSETS AND LIABILITIES

Account receivables consist primarily of trade receivables, accounts payable consist primarily of trade payables.

Short-Term Borrowings

As of December 31, 2023, the Company had short-term financing agreements with CFT Clear Finance Technology Corp. (Clearco), Amazon Lending, and PayPal Working Capital, classified as short-term borrowings.

CAPITALIZATION AND EQUITY TRANSACTIONS

Common Stock

The Company is authorized to issue 25,000,000 shares of common shares with a par value of $0,001.

- As of December 31, 2023, 14,658,641 shares have been issued and are outstanding.
- As of December 31, 2022, 14,658,641 shares were issued and outstanding.

INCOME TAXES

Management evaluates available positive and negative evidence to estimate whether sufficient future taxable income will be generated to utilize existing deferred tax assets. Based on this assessment, the Company has concluded that it is more likely than not that it will not recognize the benefits of the federal and state net deferred tax assets. Consequently, a full valuation allowance has been established against the net deferred tax assets as of December 31, 2023, and December 31, 2022. The realization of the deferred tax asset may be adjusted if estimates of future taxable income during the carry-forward period change.

For the fiscal year ending December 31, 2022, the Company had federal and state cumulative net operating loss (NOL) carryforwards of approximately $6,103,000. The utilization of these NOL carryforwards to offset future income taxes depends on the Company's ability to generate sufficient taxable income before the carryforwards expire. The federal net operating loss carryforward is subject to an 80% limitation on taxable income, does not expire, and is indefinite.

The Company recognizes the impact of a tax position in the financial statements if it is more likely than not to be sustained upon examination by the relevant taxing authority, based on the position's technical merits. As of December 31, 2022, and December 31, 2021, the Company had no unrecognized tax benefits.

Interest and penalties related to income tax matters are recognized in income tax expense. As of December 31, 2022, and December 31, 2021, the Company had no accrued interest and penalties related to uncertain tax positions.

RELATED PARTY

WeatherFlow-Tempest, Inc. currently licenses weather observation data and lightning data from WFn Holdings, Inc. (WFn) and its subsidiary, TOA Systems, LLC (TOA), under terms that provide certain exclusive rights.

Prior to April 1, 2021, WeatherFlow-Tempest, Inc. was wholly owned by WFn, and both entities still share significant common ownership.

Expenses paid to WFn per the licensing agreement totaled $426,300 for the year ended December 31, 2023, and $425,200 for the year ended December 31, 2022. There is a receivable due from WFn of $259,061 on December 31, 2023 and $47,399 on December 31, 2022.

In addition, the Company issued 695,000 shares of common stock to TOA as consideration for exclusive rights under the licensing agreement.

The Company's revenue also includes income from Synoptic Data PBC, a company in which WFn holds a minority stake. As of December 31, 2023, and 2022, the Company's revenue from Synoptic Data PBC amounted to $9,000 and $20,000, respectively.

NOTE ON CHANGES TO 2022 FINANCIAL STATEMENT

Subsequent to the publishing of the 2022 C-AR report, several adjustments were made to the financial statements for the year 2022. These adjustments are detailed below:

1. **Additional COGS and R&D Expense**: Additional accounts payable to our primary contract manufacturer relating to 2022 were uncovered in 2023. These invoices totaled approximately $71,000. These were added to payables and expensed in 2022 as follows:
   - Cost of Goods Sold (COGS): Approximately $45,000
   - Research and Development (R&D) Expense: Approximately $26,000
2. **Additional Payables**: Other timing differences recognized by our CPA increased 2022 payables by an additional $21,000.
3. **Revenue Recognition Timing Difference:** 2022 income was reduced by approximately $16,000 due to a timing difference in revenue recognition per CPA review.
4. **Related Timing Differences:** Related timing differences increased 2022 COGS by $4,000.
5. **Reduction in Accrued Payables:** Adjustments to actual expenses resulted in a reduction of approximately $16,500 in accrued payables.
6. **Convertible Notes Payable**: The convertible notes payable increased by $95,000 due to accrued interest. This interest accrual was a non-cash expense. Under the terms of the notes, both the principal and the accrued interest can be converted to equity.
7. **Related Party Receivables:** Related party amounts owed (Due to/from WFn) were moved from liabilities to assets to better reflect their character as receivables from WFn.
8. **Depreciation and Amortization Expense:** Depreciation and amortization expense was moved below the operating income line to better facilitate the calculation of EBITDA.

9. **Other Adjustments:** Other immaterial adjustments to current assets and expenses were made per CPA review.

These changes have been incorporated into the 2022 financial statements and are reflected in the updated C-AR report.

SUBSEQUENT EVENTS

The Company has assessed subsequent events from December 31, 2023, to March 31, 2024, the date when the financial statements became available for issuance.

As of March 31, 2024, the Company secured additional long-term debt financing of $2,000,000 from WindSail Climate Capital Fund II, L.P., incurring fees of $68,935.48 associated with the loan.

No other significant events or transactions occurred during this period that would materially impact these financial statements.