AD ASTRA ROCKET COMPANY and SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
for the quarterly period ended June 30, 2022

FRANKLIN RAMON CHANG DIAZ (FIRMA)

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II. CONSOLIDATED BALANCE SHEETS

FOR THE PERIODS ENDED JUNE 30, 2022 AND DECEMBER 31, 2021

ASSETS	June 30, 2022	Dec 31, 2021
Current assets:		
Cash and cash equivalents	$ 86,056	$ 104,759
Accounts receivable	3,121	100,000
Prepaid expenses	23,028	23,673
Total current assets	$ 112,205	$ 228,432
Property and equipment, net	1,534,545	1,397,113
Right of use asset, operating lease	827,672	924,871
Other assets	12,976	12,978
Total assets	$ 2,487,398	$ 2,563,394

LIABILITIES AND STOCKHOLDERS' DEFICIT	June 30, 2022	Dec 31, 2021
Current liabilities:		
Accounts payable	$ 1,371,256	$ 834,169
Accrued liabilities	240,610	208,299
Interest payable	228,976	221,040
Lease liability, current portion	178,576	178,576
Notes payable, current portion	619,174	634,819
Notes payable, related party	1,323,275	707,275
Total current liabilities	3,961,867	2,784,178
Lease liability, net of current portion	703,058	791,947
Notes payable, net of current portion	758,964	799,313
Total liabilities	5,423,889	4,375,438
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock:		
Series A, $0.01 par value, 2,200 shares authorized. 369 shares issued and outstanding	4	4
Series C, $0.01 par value, 1,000 shares authorized. 26 shares issued and outstanding	-	-
Series D, $0.01 par value, 4,000 shares authorized. 3,736 shares issued and outstanding	37	37
Series E, $0.01 par value, 5250 shares authorized. 3,625 shares issued and outstanding	37	38
Common stock, $0.01 par value, 75,000,000 shares authorized. 21,021,963 shares issued and outstanding	210,221	210,221
Additional paid-in capital	40,627,498	40,677,497
Accumulated deficit	(43,774,288)	(42,699,841)
Total stockholders' deficit	(2,936,491)	(1,812,044)
Total liabilities and stockholders' deficit	$ 2,487,398	$ 2,563,394

ASTRA ROCKET COMPANY AND SUBSIDIARIES

III. CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE PERIODS ENDED JUNE 30, 2022 AND JUNE 30, 2021

	June 30, 2022	June 30, 2021
Research and development income	$ 16,583	$ 264,416
Operating expenses:		
Payroll expense	570,867	416,862
Professional fees	289,532	180,293
Other general and administrative expenses	356,150	566,910
Total operating expenses	1,216,549	1,164,065
Other income (expense):		
Interest income	-	-
Interest expense	(34,500)	(48,308)
Asset Contribution - Bus	190,000	-
Other income	(29,981)	188,097
Total other income (expense), net	125,519	139,789
Net loss before provision for income taxes	(1,074,447)	(759,860)
Provision for income taxes	-	-
Net loss	$ (1,074,102)	$ (759,860)
Basic and diluted loss per share	$ (0.05)	$ (0.04)
Basic and diluted weighted-average common shares outstanding	21,021,963	21,021,963

ASTRA ROCKET COMPANY AND SUBSIDIARIES

IV. CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

FOR THE PERIODS ENDED JUNE 30, 2022 AND JUNE 30, 2021

	Preferred Stock								Common Stock		Additional	Accumulated Deficit	Total
	Series A		Series C		Series D		Series E		Class B		Paid-in	During	Stockholders
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Development	Equity(Deficit)
Balance as of Dec 31, 2020	369	$ 4	26	$ -	3,736	$ 37	1,124	$ 11	21,021,963	$ 210,221	$ 38,091,570	$ (41,549,996)	$ (3,248,153)
Preferred Stock Issued for Cash							2,626	$ 27			2,100,773		$ 2,100,800
Compensatory Element of Stock Option Grant											485,154		$ 485,154
Net Gain(Loss)												(1,149,845)	$ (1,149,845)
Balance as of Dec. 31, 2021	369	$4	26	$ -	3,736	$37	3,750	$38	21,021,963	$ 210,221	$ 40,677,497	$ (42,699,841)	$ (1,812,044)
Preferred Stock Issued for Cash							1,250	1			99,999		$ 100,000
Adjustment for 2021 Stock Issued							(2,500)	(2)			(199,998)		$ (200,000)
Compensatory Element of Stock Option Grant													
SAFE Equity											50,000		$ 50,000
Net Gain(Loss)												(1,074,447)	$ (1,074,447)
Balance as of June 30, 2022	369	$ 4	26	-	3,736	$ 37	2,500	$ 37	21,021,963	210,221	$40,627,498	$ (43,774,288)	$ (2,936,491)

ASTRA ROCKET COMPANY AND SUBSIDIARIES

V. CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED JUNE 30, 2022 AND JUNE 30, 2021

	June 30, 2022	June 30, 2021
Cash flows from operating activities:		
Net loss	$ (1,074,447)	$ (759,860)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	52,568	50,437
Right of use asset amortization – operating lease	(96,256)	-
Gain on contribution of Equipment	(190,000)	-
Changes in operating assets and liabilities:		
Accounts receivable	96,879	40,339
Prepaid expenses	645	(2,260)
Other assets	-	2,486
Accounts payable and accrued liabilities	569,398	(109,788)
Interest payable	7,936	6,613
Net cash used in operating activities	(633,276)	(772,033)
Cash flows from investing activities:		
Leasehold Improvement	-	(23,075)
Net cash used in investing activities	-	(23,075)
Cash flows from financing activities:		
Proceeds from notes payable	-	
Payments on notes payable	(48,628)	(112,714)
Proceeds from notes payable, related party	616,000	-
Payments on notes payable, related party	-	(62,412)
Payments on lease obligation	97,201	-
Proceeds from SAFE Equity	50,000	
Proceeds from issuance of preferred stock	100,000	1,000,000
Adjustments to issuance of preferred stock	(200,000)	
Net cash provided by financing activities	614,573	824,874
Increase / decrease in cash and cash equivalents	(18,703)	29,766
Cash and cash equivalents, beginning of year	104,759	89,034
Cash and cash equivalents, end of year	$ 86,056	$ 118,800
Supplemental disclosure of cash flow information:		
YtD Cash paid for interest	$ 34,500	$ 48,308
Non-cash investing and financing activities:		
Right of use asset and lease liabilities acquired	$ 829,195	$ -

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Nature of Operations

Ad Astra Rocket Company and Subsidiaries (the "Company" or "AARC") was incorporated on January 14, 2005, and officially organized on July 15, 2005, in Houston, Texas. The Company engages in research and development of technology and manufactures prototypes and turn-key products and technological solutions for its customers based on its research and development, including work on advanced plasma technology, the Variable Specific Impulse Magnetoplasma Rocket ("VASIMR®") and green hydrogen storage systems, primarily for ground transportation applications.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") under the accrual basis of accounting.

2.2 Use of Estimates

Management uses estimates and assumptions in preparing the consolidated financial statements. These estimates and assumptions affect the reported amounts of certain assets and liabilities. These estimates also impact disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the related reported revenues and expenses during the reporting period. Actual results could differ from these estimates. Management believes its estimates are reasonable.

2.3 Basis of Consolidation

The consolidated financial statements include the accounts of the Company's direct, wholly-owned subsidiaries: Ad Astra Rocket Company (Costa Rica) S.R.L. incorporated in Costa Rica, and Ad Astra Servicios Energéticos Y Ambientales, Inc. a Delaware corporation. The consolidated financial statements also include the accounts of the Company's indirect, wholly-owned subsidiary Ad Astra Servicios Energéticos y Ambientales AASEA, S.R.L., a Costa Rican corporation which is a direct, wholly-owned subsidiary of Ad Astra Servicios Energéticos Y Ambientales, Inc. All significant intercompany accounts and transactions have been eliminated upon consolidation.

The financial position, results of operations and cash flows of the Company's foreign subsidiaries are determined using the United States Dollar as the functional currency.

2.4 Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

2.5 Accounts Receivable and Allowance for Doubtful Accounts

The Company provides services to entities located primarily in the United States and Costa Rica. The Company grants credit only after an evaluation of the borrower's financial condition. The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. At June 30, 2022 and December 31, 2021, there were no allowances as management believes all receivables are collectible.

2.6 Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes based on the estimated useful lives of the assets (assuming zero $ residual value) as follows:

2.6 Property and Equipment, continued

	Years
Computers and software	3
Laboratory equipment	5
Machinery / equipment	5
Renewable Energy equipment	10
Building	15

Leasehold improvements are amortized on a straight-line basis over the shorter of the corresponding lease term or estimated useful life. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and any resulting gain or loss is reflected in the Company's Statement of Operations for the relevant reporting period.

2.7 Impairment of Long-Lived Assets

If facts and circumstances indicate that the carrying value of a long-lived asset, including intangible assets, may be impaired, an evaluation of recoverability is performed by comparing the estimated future undiscounted cash flows associated with the asset or the asset's estimated fair value to the asset's carrying amount to determine if a write-down of the carrying value of the asset to market value or discounted cash flow is required. During the quarterly periods ended June 30, 2022 and June 30, 2021, the Company did not record any impairment expense related to long-lived assets.

2.8 Income Taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded to reflect the tax consequences on future years of temporary differences between the tax basis of assets and liabilities and their financial reporting amounts at the end of the reporting period. The Company provides a valuation allowance to reduce deferred tax assets to their net realizable value.

The Company uses Accounting Standards Codification ("ASC") Topic 740-10, *"Accounting for Uncertainty in Income Taxes,"* which creates a single model to address uncertain income tax positions and prescribes the minimum recognition threshold a tax position is required to meet for recognition in the financial statements.

The Company did not recognize any interest or penalties related to any unrecognized tax position during the periods ended June 30, 2022 and June 30, 2021.

The Company files a consolidated federal income tax return in the United States and state tax returns in the jurisdictions in which it operates.

2.9 Stock-Based Compensation

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718-10, "*Accounting for Stock-Based Compensation*", requires companies to estimate the fair value of stock-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's consolidated statement of operations.

Stock-based compensation expense recognized under ASC Topic 718-10 was $0 and $0 for the periods ended June 30, 2022 and June 30, 2021, respectively, which consists of stock-based compensation expense related to employee and director stock option issuances.

2.10 Revenue and Cost Recognition

2.10.1 Research, Design and Development Income

Substantially all contracts of the Company are long-term contracts involving the design, engineering and execution of propulsion system technologies or hydrogen transport technologies. These long-term contracts include multiple distinct performance obligations which are segregated into milestone phases and are typically satisfied upon the successful inspection and acceptance of the reported results by the customer. At the inception of an arrangement that includes milestone payments, the Company evaluates whether each milestone is substantive and the risk to both parties on the basis of the contingent nature of the milestone (an output method). This evaluation includes an assessment of whether: (i) the consideration is commensurate with the Company's performance to achieve the milestone, (ii) the consideration relates solely to past performance, and (iii) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. The Company evaluates factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestones and the level of effort and investment required to achieve the respective milestones in making the assessment. There is considerable judgement involved in determining whether the milestone satisfies all of the criteria required to conclude that a milestone is substantive. Revenue from these milestone contracts will be recognized at the point in time when the Company successfully accomplishes the milestone which is the satisfaction of the contract's performance obligation. During the quarterly periods ended June 30, 2022 and June 30, 2021, the Company was party to various milestone revenue contracts as discussed in Note 11 of these financial statements.

Revenue from services provided are recognized when there is evidence of a contract and associated contract value, each respective performance obligation is determined, contract values are allocated to each respective performance obligation and recorded as the performance obligation is satisfied.

Income from time-and-materials research, design and development contracts is recognized over time as the service is provided and is generally billed monthly.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies and other overhead type costs. Operating costs are charged to operations as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and revenue and are recognized in the period in which the revisions are determined.

2.10.2 Research, Design and Development Expenses

Research and development projects and costs are expensed as incurred. These costs consist of direct costs associated with the design of new products. Research and development expenses incurred during the periods ended June 30, 2022 and June 30, 2021, were $125,812 and $243,922, respectively, and were included as a component of other general and administrative expenses in the consolidated statements of operations.

2.11 Fair Value of Financial Instruments

Fair value estimates of financial instruments are based on relevant market information and may be subjective in nature and involve uncertainties and matters of significant judgment. The Company believes that the carrying value of its financial assets and liabilities approximates the fair value of such items. The Company does not hold or issue financial instruments for trading purposes.

The Company adheres to ASC 820 and includes fair value information in the notes to its consolidated financial statements when the fair value of its financial instruments is different from the book value. When the book value approximates fair value, no additional disclosure is made.

2.12 Concentrations of Credit Risk

The Company maintains its cash in financial institutions selected by management based upon its assessment of the financial stability of the institution. Balances periodically exceed the federal depository insurance limit; however, the Company has not experienced any losses on deposits.

2.13 Loss Per Share

Basic loss per share is calculated based on the weighted average number of common shares outstanding during each period. Diluted loss per share considers shares issuable upon exercise of outstanding vested stock options or convertible preferred stock. At June 30, 2022 and June 30, 2021, stock options and convertible preferred stock with equivalent shares of common stock, as presented in the table below, have been excluded from the computation of diluted earnings per share because the Company is in a net loss position and the effect of their inclusion would be anti-dilutive.

	Common Stock Equivalents	
	June 30, 2022	June 30, 2021
Stock options	194,000	55,000
Preferred stock - Series A	1,107,000	1,107,000
Preferred stock - Series C	78,000	78,000
Preferred stock - Series D	373,600	373,600
Preferred stock - Series E	362,500	237,400
Total	2,115,100	1,851,000

2.14 Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*. The guidance in this update supersedes Topic 840, *Leases*. Implementation of ASU No. 2016-02 will result in recognizing lease assets and lease liabilities from operating leases on the balance sheet. For leases with a term of 12 months or less, a lessee is permitted to make an election by class of the underlying asset not to recognize lease assets and lease liabilities on the balance sheet. ASU No. 2016-02 was initially effective for annual periods beginning after December 15, 2019, with early adoption permitted. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates,* which deferred the effective date by one year (effective for annual periods beginning after December 15, 2021). Management elected to early adopt the provisions under ASC 842 as of January 1, 2021, as described in Leases below.

2.15 Leases

The Company adopted the new standard on January 1, 2021 and applied it to (i) all new leases entered into after January 1, 2021, and (ii) the Company's existing lease contracts as of January 1, 2021. ASC 842 supersedes existing lease accounting guidance found under ASC 840, Leases.

The new standard introduces two lessee accounting models, which result in a lease being classified as either a "finance" or "operating" lease based on whether the lessee effectively obtains control of the underlying asset during the lease term. A lease would be classified as a finance lease if it meets one of five classification criteria, four of which are generally consistent with ASC 840 lease accounting guidance. By default, a lease that does not meet the criteria to be classified as a finance lease will be deemed an operating lease. Regardless of classification, the initial measurement of both lease types will result in the consolidated balance sheet recognition of a right-of-use ("ROU") asset (representing a company's right to use the underlying asset for a specified period of time) and a corresponding lease liability. The lease liability will be recognized at the present value of the future lease payments, and the ROU asset will equal the lease liability adjusted for any prepaid rent, lease incentives provided by the lessor, and any indirect costs.

The subsequent measurement of each type of lease varies. For finance leases, a lessee will amortize the ROU asset (generally on a straight-line basis in a manner similar to depreciation) and accrete the lease liability (as a component of interest expense) using the effective interest method. Operating leases will result in the recognition of a single lease expense amount that is recorded on a straight-line basis.

ASC 842 produced changes to the methods the company uses to record, present, and disclose "operating" leases in its financial statements. Upon adoption of ASC 842 on January 1, 2021, the Company recognized a ROU asset and a corresponding lease liability for the operating lease of its Houston facility based on the present value of then existing long-term operating lease obligations. In addition, the Company elected to apply several practical expedients and made accounting policy elections upon adoption of ASC 842 including:

2.15 Leases, continued

- The Company does not recognize ROU assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy lease accounting guidelines. A short-term lease is one with a maximum lease term of 12 months or less and does not include a purchase option the lessee is reasonably certain to exercise.

- The impact of adopting ASC 842 was adopted prospectively beginning January 1, 2021. The Company did not restate prior periods presented in its financial statements to reflect the new lease accounting guidance.

- The Company does not reassess whether any expired or exiting contracts contain leases, the classifications of the leases, and any initial direct costs associated with any leases.

- An operating lease meeting certain criteria is capitalized, and the present value of the related lease payment is recorded as a liability. Amortization of Right-of-Use assets is computed on a straight-line basis over the term of the respective leases.

3. Impact of Coronavirus Disease 2019 (“COVID-19”) on Company Operations

United States employees at Ad Astra Rocket Company have been fully vaccinated and have resumed in-person work environment while continuing to follow safety protocols guidelines from the CDC (Center for Decease Control) such as social distancing and mask wearing. Visitors to the facility are required to wear masks and, with few exceptions, facility tours have been suspended until further notice. Costa Rica employees have received at least both shots of the COVID-19 vaccine. The Costa Rican subsidiary is fully operational while still practicing social distancing and mask wearing and is following all applicable government mandates and regulations. Visitors to the facility are required to wear masks and, with few exceptions, facility tours have been suspended until further notice.

4. Going Concern

Historically, the Company has not generated significant revenue from core operations and, accordingly, it has experienced historical net losses, a stockholder's deficit, negative cash flows from operating activities, and negative working capital. During the periods ended June 30, 2022 and June 30, 2021, the Company had net losses of $1,074,447 and $759,860, respectively. The Company has a working capital deficiency of $3,849,318 and $3,324,984, at June 30, 2022 and June 30, 2021, respectively. The Company has financed its operations using sales of its common stock and preferred stock, the issuance of convertible debentures to a related party, and other equity and traditional debt financing. These factors raise a substantial doubt about the Company’s ability to continue as a going concern.

The Company has received contracts from government entities and others that contribute to the Company’s strategic initiatives, as described in the Revenue and Cost Recognition section of Note 2 Summary of Significant Accounting Policies of this report. These have resulted in sources of income from research, design and development contracts related to technologies derived from the VASIMR®.. In addition, the Company through its VASIMR® research has gained significant experience in hydrogen transport systems, which the Company plans to continue marketing to various customers. For the periods ended June 30, 2022 and March 31, 2021, the Company recorded research, design and development income on the statements of operations of $16,583 and $264,416, related to hydrogen transport systems or other complimentary technologies.

While the Company's rocket is not yet commercially viable, the Company expects to continue to be able to source additional research, design and development projects and income, or through additional projects during 2022 using the Company’s knowledge of hydrogen transport systems.

Management’s primary focus is raising the funds necessary to fully implement the Company’s business plan. The Company’s long-term viability depends on its ability to expand its research, design and development service offerings and obtain adequate equity or debt funding to meet current commitments and fund the continuation of its business operations.

5. Accounts Receivable

Accounts receivable at June 30, 2022 and December 31, 2021, were $3,121 and $100,000, respectively, and relate to various research, design and development project contracts and revenue from speaking and consulting engagements.

6. Other Assets

Other assets comprise the following at June 30, 2022 and December 31, 2021:

	March 31, 2022	Dec. 31, 2021
Deposits	$ 12,976	$ 12,978
Other Assets Total	$ 12,976	$ 12,978

7. Property and Equipment

Property and equipment at June 30, 2022 and December 31, 2021, and related activity for the years then ended, were as follows:

	June 30, 2022			
Description	Dec 31, 2021	Additions/ Transfers in	Retirements/ Transfers out	June 30, 2022
Computer and software	$ 671,853	$ -	$ -	$ 671,853
Laboratory equipment	4,143,710	-	-	4,143,710
Machine shop equipment	102,396	-	-	102,396
Leasehold improvements	1,594129	-	-	1,594,129
Renewable energy equipment*	611,898	-	-	611,898
Fuel Cell Bus		190,000	-	190,000
Land and building	1,000,000	-	-	1,000,000
Other	145,228	-	-	145,228
	8,269,214	190,000		8,459,214
Less accumulated depreciation	(6,872,101)	(52,568)	-	(6,924,669)
Net property and equipment	$ 1,397,113	$ 137,432	$ -	$1,534,545

	December 31, 2021			
Description	Dec. 31, 2020	Additions/ Transfers in	Retirements/ Transfers out	Dec. 31, 2021
Computer and software	$ 671,853	$ -	$ -	$ 671,853
Laboratory equipment	4,143,710	-	-	4,143,710
Machine shop equipment	102,396	-	-	102,396
Leasehold improvements	1,570,963	23,166	-	1,594,129
Renewable energy equipment	611,898	-	-	611,898
Land and building	1,000,000	-	-	1,000,000
Other	145,228	-	-	145,228
	8,246,048	23,166	-	8,269,214
Less accumulated depreciation	(6,779,999)	(92,102)	-	(6,872,101)
Net property and equipment	$ 1,466,049	$ (68,936)	$ -	$1,397,113

Depreciation and amortization expenses of $52,568 and $50,437 were recognized during the periods ended June 30, 2022 and June 30, 2021, respectively.

8. Accrued Liabilities

Accrued liabilities comprise the following at June 30, 2022 and December 31, 2021:

	June 30, 2022	Dec 31, 2021
Deferred salaries	$ 28,849	$ 28,849
Other wages payable	10,738	6,146
Payroll taxes and benefits	52,250	23,304
Legal contingency	150,000	150,000
	-	
Other	(1,227)	-
Total Accrued Liabilities	$ 240,610	$ 208,299

9. Notes Payable and Long-Term Debt

The Company had the following notes payable and notes payable, related party at June 30, 2022 and Dec 31, 2021:

	June 30, 2022	Dec 31, 2021
Demand notes payable to an officer of the Company. The notes bear interest annually ranging from 0.22% to 3.00%, are uncollateralized and the principal balances are due on demand. As of June 30, 2022, the total accrued interest was $983.	$ 1,273,275	$ 707,275
Demand notes payable to a director of the Company. The note payable does not bear interest and is due on Jun 17, 2023.	50,000	0
Note payable to a bank, bearing interest at a fixed rate of 3% per year and due in total monthly payments of $2,236, including interest, through April 12, 2022. The note is uncollateralized. This note is currently in consolidation process with another note payable. Refer to Subsequent Events.	121,860	133,419
Note payable to a vendor, owned by a former member of the Company's board of directors, bearing interest at the current "prime" interest rate (4.75% at June 30, 2022), due October 2022. Accrued interest on this note was $227,994 and the note is uncollateralized.	408,000	408,000
Note payable to a solar panel equipment manufacturer, bearing interest at a fixed rate of 9.50% per year, with monthly principal and interest payments of $2,588 due through April 2026. The loan is collateralized with the purchased equipment. The Company has the option to opt out of the purchase agreement with no penalties or fees if proper four-month notice is given to the equipment manufacturer. As of June 30, 2022, the Company does not anticipate opting out of the purchase agreement.	100,570	108,539
Note payable to a bank, bearing interest at a variable rate, currently 3% per year as of June 30, 2022, which can be adjusted quarterly, and due in total monthly payments of $6,906, including interest, through May 24, 2032. At June 30, 2022, the note is guaranteed by an officer of the Company. This note is currently in consolidation process with another note payable. Refer to Subsequent Events.	743,778	776,156
Note payable to a bank, bearing interest at variable rate of 6% per year, due on December 1, 2022. This loan was a bridge loan to finance the Company's required Costa Rica's Holiday pay benefit.	3,930	8,017
	2,701,413	2,141,406
Less current maturities	(1,942,449)	(1,342,094)
Total long-term debt, net of current maturities	$758,964	$799,312

9. Notes Payable and Long-Term Debt continued,

At June 30, 2022, future minimum principal payments remaining on notes payable and notes payable, related party, are as follows:

Year	
2022	$ 1,942,449
2023	89,371
2024	93,612
2025	98,124
2026 and after	477,857
	$ 2,701,413

Of the 2022 short-term debt, $1,323,275 is payable to related parties. The Company's weighted average interest rate on outstanding short-term debt obligations for the periods ended June 30, 2022 and Dec. 31, 2021, was 2.37% and 3.59%, respectively.

10. Stock Incentive Plan

On September 9, 2016, the Company adopted the Ad Astra Rocket Company 2016 Stock Incentive Plan (the "Plan"). A total of 2,000,000 shares of common stock are reserved for issuance under the Plan. The purpose of the Plan is to promote continued service by certain key employees, non-employee members of the Board of Directors, consultants, and other independent advisors, by providing the opportunity to acquire an equity interest in the Company. During the periods ended June 30, 2022 and June 30, 2021, 0 and 0 stock options were issued respectively.

The following table summarizes certain information relative to stock options issued pursuant to the Plan:

	2016 Stock Incentive Plan	
	Shares	Weighted Average Exercise Price
Outstanding, December 31, 2020	42,000	$ 8.00
Granted	154,000	$ 8.00
Forfeited/cancelled	-	$ 0.00
Outstanding, December 31, 2021	196,000	$ 8.00
Granted	0	$ 8.00
Forfeited/cancelled	(2,000)	$ 8.00
Outstanding, June 30, 2022	194,000	$ 8.00
Exercisable, June 30, 2022	168,000	$ 8.00

The weighted-average remaining life and weighted-average exercise price of outstanding options at June 30, 2022 were 8.8 years and $4.03. The exercise prices for outstanding options were $8.00 at June 30, 2022, and information relating to such options follows:

Exercise Price	Stock Options Outstanding	Stock Options Exercisable	Weighted Average Remaining Contract Life	Weighted Average Exercise Price	Weighted Average Exercise Price of Options Exercisable
$8.00	194,000	168,000	9 years	$8.00	$8.00

10. Stock Incentive Plan, continued

During the periods ended June 30, 2022 and December 31, 2021, the Company granted 0 and 154,000 stock options, respectively. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model. The fair value of stock options expensed under the Plan was $0 and $0 for the periods ended June 30, 2022 and December 31, 2021, respectively. For stock options granted, the following assumptions were used for the years ended June 30, 2022 and December 31, 2021:

	2022	2021
Dividend Yield	0%	0%
Expected Volatility	26%	26%
Weighted Average Risk-Free Interest Rates	2.81%	1.78%
Expected Life in Years	10	10

As of June 30, 2022, there was $180,195 of unrecognized expense remaining related to non-vested, stock-based compensation arrangements.

11. Research, Design and Development Income

Milestone Revenue Contracts

On February 12, 2021, the Company engaged with a Costa Rican company to perform the conceptual design of a renewable energy system for an educational campus in Costa Rica. The contract period was February 12, 2021 to March 19, 2022, and revenue to be collected is $13,000 if all milestones are met. The contract outlines a milestone schedule resulting in contingent payments of $5,200 and $7,800 per achieved milestone. Due to delays in the delivery of information from the customer, the project has been paused and the schedule has been extended to April 21, 2022. The company reviewed various factors, including the contingent nature of the payments for past performance metrics outlined in the arrangement concluding that the milestones are substantive. Income from these projects has been recorded as research, design, and development income upon the completion of the milestone criteria and receipt of payment on the statement of operations. As of June 30, 2022, $5,200 remains in contingent milestone payments under the contract.

The Company entered a consultancy contract with a Costa Rican bank that contains hourly payments for consulting in hydrogen technology for the evaluation of a potential new project presented to the customer. The contract was effective for the period between November 9, 2019 and November 9, 2024, however, there was a pause, and the project is being redefined. A total of $155,738 remains available if all the allocated billable hours are executed within the contract period. The contract outlines a rate of $95/hour + VAT that Ad Astra can bill to the customer when executing tasks related to the contract's scope. The milestone criteria require the Company to evaluate the technical and financial merits of a hydrogen project proposed to the customer, as well as to complete any other task related to the Company's hydrogen expertise that is requested by the Customer. The contract was determined by the Company to be a consultancy contract. The Company reviewed various factors, including the contingent nature of the payments for past performance metrics outlined in the arrangement and noted all appeared reasonable based on the estimated expenditures required to complete each milestone, concluding that the milestones are substantive. These projects have been recorded as research, design and development income upon the completion of the milestone criteria and receipt of payment on the statement of operations. As of June 30, 2022, $155,738 in potential billable payments remain under the contract.

The Company has entered a contract with a Panamanian entity (with operations in Costa Rica) that contains hourly payments to evaluate the application of green hydrogen technologies within the design of zero-emission ocean-going cargo vessels. The contract is effective for the period between February 28, 2022 and February 28, 2023, with an option to renew upon mutual agreement. The contract outlines an hourly consulting rate of $100/hour + VAT that Ad Astra can bill to the customer when executing tasks related to the contract's scope. The milestone criteria require the Company to evaluate the technical and financial merits of a hydrogen project proposed to the customer, as well as execute any other task related to the Company's hydrogen expertise that is requested by the Customer. The Company determined the contract to be a consultancy contract. The Company reviewed various factors, including the contingent nature of the payments for past performance metrics outlined in the arrangement and noted all appeared reasonable based on the estimated expenditures required to complete each milestone, concluding that the milestones are substantive. These projects have been recorded as a research, design and development contract with income recognized upon the completion of the milestone criteria and receipt of payment on the statement of operations. While there is no billing maximum set, the client estimates yearly consultancy fees of $20,800. As of June 30, 2022, $11,447 has been billed in consultancy fees.

11.1 Research, Design and Development Contracts

The Company also enters contracts that are not dependent on a milestone being reached and are generally to provide certain consultancy services. These contracts are recorded over time, generally billed monthly and revenue is recorded as the time is incurred. During the quarter ended June 30, 2022 and the quarter ended June 30, 2021, the Company recorded $16,583 and $264,416, respectively, of revenue for time-and material research, design, and development contracts.

12. Related Party Transactions

During the periods ended June 30, 2022 and December 31, 2021, the Company had outstanding notes payable totaling $1,273,275 and $707,273, respectively, from an officer of the Company. The notes payable bear interest annually ranging from 0.22% to 3.00%, are uncollateralized and the principal balances are due on demand. As of June 30, 2022, the total accrued interest was $983.49. As of June 30, 2022, other notes payable of $50,000 was received from a director of the Company. The note payable does not bear interest and is due on Jun 17, 2023. In addition, a Safe Equity instrument was issued to an officer of the company for $50,000.

13. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting purposes. For the years ended December 31, 2021, and 2020, there were no provisions for income taxes and deferred tax assets have been entirely offset by a valuation allowance, due to the Company's unlikely realization based on its recurring net losses. Significant components of the Company’s deferred tax assets and liabilities were as follows at December 31, 2021 and December 31 2020:

	2021	2020
Deferred tax assets (liabilities):		
Net operating loss carryforwards	$ 7,078,627	$ 6,817,584
Non-deductible accruals	(68,490)	237,633
Basis difference in property and equipment	(245,865)	(128,156)
Total deferred tax assets, net	6,764,272	6,927,061
Valuation allowance	(6,764,272)	(6,927,061)
Deferred tax assets, net	$ -	$ -

The difference between the income tax benefit in the accompanying statements of operations and the amount that would result if the U.S. Federal statutory rate of 21% were applied to pre-tax loss for the years ended December 31, 2021 and December 31, 2020 is as follows:

	2021		2020	
	Amount	Percent	Amount	Percent
Benefit for income tax at federal statutory rate	$ (241,467)	(21.0)%	$ (390,380)	(21.0)%
Change in valuation allowance	162,789	14.1	386,305	21.7
Stock based compensation	101,882	8.9	19,024	0.1
Tax accrual to return adjustments	(23,204)	(2.0)	(14,949)	(0.8)
	$ -	- %	$ -	- %

As of December 31, 2021, for U.S. federal income tax reporting purposes, the Company has approximately $33,708,000 of unused net operating losses (“NOLs”) available for carry forward to future years. The benefit of the carry-forward of such pre-2018 NOLs totaling approximately $27,916,000 will expire at various dates through December 31, 2038. NOLs generated from 2018 to 2021 totaling approximately $5,792,000 do not expire. Because tax laws limit the use of NOLS to future periods in which the Company generates taxable income, the Company may be unable to take full advantage of its NOLs for federal income tax purposes. Further, the benefit from utilization of NOL carry-forwards could be subject to limitations due to material ownership changes that may or may not occur in the Company.

14. Stockholders' Deficit

14.1 Common Stock

The Company's Certificate of Incorporation authorizes issuance of 75,000,000 shares of $0.01 par value common stock ("Common Stock"). At both June 30, 2022 and December 31, 2021, the Company had 21,021,963 shares of Common Stock issued and outstanding. The Company may issue any authorized but unissued shares of Common Stock at prices and other terms as approved by the Board of Directors. The Company has not entered into any agreements with common stockholders that provide such stockholders with preferential economic rights not available to all holders of such class of Common Stock.

Holders of Common Stock are entitled to one vote for each share held and have no preemptive or similar right to subscribe for, or to purchase, any shares of common stock or other securities to be issued by the Company in the future. Holders of shares of Common Stock have no exchange or conversion rights and the shares are not subject to redemption.

The Superintendencia General de Valores de Costa Rica ("Sugeval") authorize the Company to undertake Restricted Public Offerings ("RPO") of its Common Stock. These offerings are conducted under Costa Rican law outside of the United States of America. The Company has approved the issuance of up to 1,000,000 shares of Common Stock pursuant to the RPO. The Company did not sell any common stock during the periods ended June 30, 2022 and December 31, 2021. The Company had 4,381,175 shares of Common Stock issued and outstanding under RPOs as of June 30, 2022.

14.2 Series A Preferred Stock

At June 30, 2022 and December 31, 2021, the Company had 2,200 shares authorized and 369 shares issued and outstanding of $0.01 par value Series A preferred stock ("Series A"). Series A has a liquidation preference equal to the original purchase price and does not pay a mandatory dividend. Series A is convertible into Common Stock any time at the option of the holder at a price determined by dividing the Series A original issue price by the Series A conversion price in effect at the time of conversion. The Series A conversion price is equal to the original issue price per share divided by 3,000.

The Company has the right to redeem Series A for cash at any time after the five year anniversary date of the issuance at a redemption price calculated by multiplying the Series A original issue price by one plus the Prime Rate (as reported by Bloomberg, L.P.) on the date of redemption times the number of years from the applicable Series A original issue date until the date of such calculation with a partial year being expressed by dividing the number of days which have passed since the most recent anniversary by 365, plus all declared but unpaid dividends.

During the periods ended June 30, 2022 and December 31, 2021, the Company did not issue any shares of Series A Preferred Stock. At June 30, 2022 and December 31, 2021, there were no accumulated, undeclared dividends.

14.3 Series C Preferred Stock

At June 30, 2022 and December 31, 2021, the Company had 1,000 shares authorized and 26 issued and outstanding of $0.01 par value Series C preferred stock ("Series C"). Series C has a liquidation preference equal to the original purchase price and does not pay a mandatory dividend. The Series C is convertible by the holder into Common Stock within 15 days of notice of redemption from the Company at a price determined by dividing the Series C original issue price by the Series C conversion price in effect at the time of conversion.

The Series C conversion price is equal to the original issue price per share divided by 3,000. The Company has the right to redeem Series C for cash at any time after issuance with a twenty-day written notice at a redemption price equal to the original issue price, plus all declared but unpaid dividends. Series C stock become mandatorily convertible to common shares at a conversion rate of 3,000 common shares for each Series C share if Company closes an underwritten public offering and sale of its common stock pursuant to an effective registration statement under the Securities Act of 1933, as amended.

During the periods ended June 30, 2022 and December 31, 2021, the Company did not issue any shares of Series C Preferred Stock. At June 30, 2022 and December 31, 2021, there were no accumulated and undeclared dividends.

14.4 Series D Preferred Stock

On October 15, 2018, the Company had authorized the creation of 2,000 shares of $0.01 par value Series D preferred stock ("Series D"). On June 12, 2019, the Company's Board of Directors approved an amendment to the Certificate of Designations to increase the number of authorized shares of the Corporation's Series D Preferred Stock from 2,000 to 4,000 shares. On the approval of 75% of the then current holders of Series D Preferred stockholders on June 17, 2019, the number of authorized Series D shares was increased to 4,000 shares.

At June 30, 2022 and December 31, 2021, the Company had 4,000 shares authorized and 3,736 issued and outstanding, respectively. Series D has a liquidation preference equal to the original purchase price and does not pay a mandatory dividend. The Series D is convertible by the holder into Common Stock at any time at a price determined by dividing the Series D original issue price by the Series D conversion price in effect at the time of conversion.

The Series D conversion price is equal to the original issue price per share divided by 100. Series D stock becomes mandatorily convertible to common shares at a conversion rate of 100 common shares for each Series D share if the Company closes an underwritten public offering and sale of its common stock pursuant to an effective registration statement under the Securities Act of 1933, as amended.

During the period ended June 30, 2022, the Company did not issue any Preferred D stock.

On December 31, 2021, the Company sold 500 shares of Series Preferred D stock pursuant to stock subscription agreements with individual investors at a price of $800 per share resulting in cash proceeds of $400,000. The Company recorded no issuance costs related to this exercise.

At June 30, 2022 and December 31, 2021, there were no accumulated and undeclared dividends.

14.5 Series E Preferred Stock

On June 22, 2020, the Company's Board of Directors approved a Unanimous Written Consent resolution authorizing the creation of 2,964 shares of $0.01 par value Series E preferred stock ("Series E"). Effective June 24, 2020, the Company registered with the State of Delaware the Certificate of Designations creating the Series E Preferred Shares.

On February 26, 2021, the Company's Board of Directors approved and authorized an additional 2,286 of Series E Preferred Stock.

At December 31, 2021, the Company had 5,250 shares authorized and 3,750 issued and outstanding.

At June 30, 2022, the Company had 5,250 shares authorized and 3,625 issued and outstanding.

Series E has a liquidation preference equal to the original purchase price and does not pay a mandatory dividend. The Series E is convertible by the holder into Common Stock at any time at a price determined by dividing the Series E original issue price by the Series E conversion price in effect at the time of conversion.

The Series E conversion price is equal to the original issue price per share divided by 100. Series E stock becomes mandatorily convertible to common shares at a conversion rate of 100 common shares for each Series E share if the Company closes an underwritten public offering and sale of its common stock pursuant to an effective registration statement under the Securities Act of 1933, as amended.

During the period ended June 30, 2022, the Company sold 125 shares of Series E Preferred Stock at $800 per share for cash totaling $100,000 in proceeds. The Company recorded no issuance costs related to this sale. The Company also reversed the issuance of 250 shares of Series E Preferred Stock at $800 per share for cash totaling $200,000 in refunded proceeds.

15. Leases

15.1 Operating Leases

The following represents information regarding operating leases where the Company acts as the lessee, at June 30, 2022:

Assets Category	ROU Assets Carrying Value	Lease Liabilities Carrying Value	Remaining Term	Weighted-Average Discount Rate
Webster *Office lease*	$ 829,195	$ 881,632	4.3 years	1.78%

Total operating lease expense for period ended June 30, 2022, is as follows:

Long-term operating leases:	
Fixed lease expense:	
Non-cash lease expense (amortization of ROU assets)	$ 88,890
Related accretion expense on lease liability balance	8,310
Total lease expense	$ 97,200

Cash paid for operating lease liabilities recorded on balance sheet was $97,200 for the period ended June 30, 2022. The future annual lease obligations at June 30, 2022 is as follows:

Years ending December 31	
2022	$ 97,200
2023	198,450
2024	218,700
2025	218,700
2026	182,250
Total undiscounted lease obligations	915,300
Less imputed interest	(36,047)
Net lease obligations	$ 879,253

During the year ended December 31, 2021, the Company recognized $210,180 in lease expense related to the office lease. During the period ended June 30, 2022, the Company recorded $105,510 short-term lease expense.

16. Contingencies

From time to time, the Company may be involved in various claims and legal actions arising in the ordinary course of business. Management, along with the assistance of legal counsel, will determine the ultimate disposition and potential impact of these matters on the Company's financial condition, liquidity, or results from operations. As of June 30, 2022, the Company is involved in a regulatory tax matter with the taxing authorities in Costa Rica. The taxing authorities have claimed the Company owed taxes and penalties related to ancillary income earned. As a result of this claim, the Company recorded a current liability of $150,000 to cover the expected back taxes, penalties, and legal representation for the matter.

17. Joint Venture

On March 29, 2022, the Company's Costa Rican Subsidiary and Mesoamerica entered into a joint venture which created a newly formed entity ProNova Energy, a Costa Rican business entity. The Company and Mesoamerica each own 50% of ProNova Energy. The joint venture will initially focus on developing green hydrogen solutions for various commercial and industrial applications. The joint venture will focus its development and sales primarily in the Latin American region, but it is not geographically constrained. As of March 29, 2022, the only activity in ProNova Energy was the creation of the entity, and as of June 30, 2022, no financial, product development, or sales activity has occurred in the joint venture.

18. Subsequent Events

Management has evaluated subsequent events through August 23, 2022, which is the date the consolidated financial statements were available to be issued and has determined that there were no significant subsequent events requiring additional disclosure in the notes to the consolidated financial statements.

On July 29, 2022, the company finalized negotiations with a lending entity to consolidate two notes payable. The new note payable consists of monthly payments of $6,165 for 180 months at 3.0% interest rate; the starting Principal balance is $877,926 with the first payment due on Sep. 1, 2022.

On July 25, 2022, the company entered into a contract with a government entity for Research & Development services; the total value of the contract is $150,000 which will be paid at the completion of each of 3 phases within a six-month period ending on January 25, 2023.