AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the Periods Ended December 31, 2023 and

December 31, 2022

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

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II. CONSOLIDATED BALANCE SHEETS
FOR PERIODS ENDED DECEMBER 31, 2023 AND DECEMBER 31, 2022

ASSETS	Dec 31, 2023	Dec 31, 2022
Current assets:		
Cash and cash equivalents	$ 66,881	$ 329,228
Accounts receivable	1,345	16,468
Prepaid expenses	9,370	14,930
Total current assets	77,596	360,626
Property and equipment, net	1,394,592	1,475,838
Right of use asset, operating lease	542,166	733,520
Other assets, net	12,976	12,976
Total assets	$ 2,027,330	$ 2,582,960

LIABILITIES AND STOCKHOLDERS' DEFICIT	Dec 31, 2023	Dec 31, 2022
Current liabilities:		
Accounts payable	$ 903,495	$ 1,255,655
Accrued liabilities	358,749	220,126
Interest payable	276,110	241,014
Interest payable to related party	29,205	2,267
Lease liability, current portion	178,576	178,576
Notes payable, current portion	478,028	478,028
Notes payable, related party	2,233,275	2,048,275
Total current liabilities	5,732,353	4,423,941
Lease liability, net of current portion	427,535	613,372
Notes payable, net of current portion	847,380	884,337
Total liabilities	5,732,353	5,921,650
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, 5,250 shares authorized; 5,154 shares issued and outstanding	56	43
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	42,375,803	42,035,765
Accumulated deficit	(46,291,144)	(45,584,760)
Total stockholders' deficit	(3,705,023)	(3,338,690)
Total liabilities and stockholders' deficit	$ 2,027,330	$2,582,960

The accompanying notes are an integral part of these consolidated financial statements.

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

III. CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED DECEMBER 31, 2023 AND DECEMBER 31, 2022

	Dec 31, 2023	Dec 31, 2022
Research and development income	$ 914,160	$ 154,183
Operating expenses:		
Payroll expense	1,314,472	1,162,556
Professional fees	145,125	425,366
Other general and administrative expenses	67,867	1,715,657
Total operating expenses	**1,527,464**	**3,303,579**
Other income (expense):		
Interest expense	(133,288)	(78,377)
Other income, net	40,208	342,854
Total other income (expense), net	(93,080)	264,477
Net loss before provision for income taxes	**(706,384)**	**(2,884,919)**
Provision for income taxes	-	-
Net loss	**$ (706,384)**	**$ (2,884,919)**
Basic and diluted loss per share	$ (0.03)	$ (0.14)
Basic and diluted weighted-average common shares outstanding	21,012,963	21,021,963

The accompanying notes are an integral part of these consolidated financial statements.

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

IV. CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE PERIODS ENDED DECEMBER 31, 2021, 2022, AND DECEMBER 31, 2023

	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, 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							845	8			675,992		676,000
Adjustment for 2021 Stock Issued							(250)	(3)			(199,997)		(200,000)
Compensatory Element of Stock Option Grant											882,273		882,273
Net Gain(Loss)												(2,884,919)	(2,884,919)
Balance as of Dec. 31, 2022	369	$ 4	26	$ -	3,736	$ 37	4,345	$ 43	21,021,963	210,221	42,035,765	(45,584,760)	(3,338,690)
Preferred Stock Issued for Cash							1,292	13			1,033,587		1,033,600
Compensatory Element of Stock Option Grant											(693,549)		(693,549)
Net Gain(Loss)												(706,384)	(706,384)
Balance as of Dec. 31, 2023	369	$ 4	26	$ -	3,736	$ 37	5,637	$ 56	21,021,963	$ 210,221	$ 42,375,803	$ (46,291,144)	$ (3,705,023)

The accompanying notes are an intergral part of consolidated financial statements

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

V. CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED DECEMBER 31, 2023 AND DECEMBER 31, 2022

	Dec 31, 2023	Dec 31, 2022
Cash flows from operating activities:		
Net loss	$ (706,384)	$(2,884,919)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	108,538	111,275
Right of use asset amortization – operating lease	191,354	191,351
Stock based compensation	(693,549)	882,273
Gain on equipment contribution	-	(190,000)
Changes in operating assets and liabilities:		
Accounts receivable	15,123	83,532
Prepaid expenses	5,560	8,743
Accounts payable and accrued liabilities	(213,537)	433,313
Interest payable	35,096	20,048
Interest payable, related party	26,938	2,267
Net cash used in operating activities	**(1,230,861)**	**(1,342,117)**
Cash flows from investing activities:		
Purchases of property and equipment	(27,292)	-
Net cash used in investing activities	**(27,292)**	**-**
Cash flows from financing activities:		
Proceeds from notes payable	-	890,000
Payments on notes payable	(36,957)	(961,839)
Proceeds from notes payable, related party	185,000	1,341,000
Payments on notes payable, related party	-	-
Payments on lease obligation	(185,837)	(178,575)
Proceeds from issuance of preferred stock	1,033,600	676,000
Payments on called share of preferred stock	-	(200,000)
Net cash provided by financing activities	**995,806**	**1,566,586**
Net Change in cash and cash equivalents	**(262,347)**	**224,469**
Cash and cash equivalents, beginning of year	**329,228**	**104,759**
Cash and cash equivalents, end of period	**$ 66,881**	**$ 329,228**

Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 133,288	$ 78,377

The accompanying notes are an integral part of these consolidated financial statements.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED DECEMBER 31, 2023 AND DECEMBER 31, 2022

1. Organization and Nature of Operations

Ad Astra Rocket Company (the “Company” or “AARC”) was incorporated on January 14, 2005 and officially organized on July 15, 2005 in Houston, Texas. Ad Astra Subsidiaries were incorporated on November 9, 2005. 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.

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. Those 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 those 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 the purpose 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 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 December 31, 2023 and December 31, 2022, there was no allowance as management believes all accounts receivable 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 as follows:

	Years
Computers and software	3
Laboratory equipment	5
Machine shop equipment	5
Renewable Energy equipment	10
Building	15

2. Summary of Significant Accounting Policies, continued

2.6 Property and Equipment, continued

Leasehold improvements are amortized on a straight-line basis based on the shorter of the corresponding lease term or 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 balance sheet accounts and any resulting gain or loss is reflected in the statement of operations.

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 to market value or discounted cash flow is required. During the periods ended December 31, 2023 and December 31, 2022, 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 December 31, 2023 and December 31, 2022.

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 an 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 a credit of -$693,542 and $882,273 for the periods ended December 31, 2023 and December 31, 2022, respectively, which consists of stock-based compensation expense related to employee and director stock option issuances. The credit in the year 2023 is a result of two directors and an officer of the company who left the organization and their stock options expired.

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 based on 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 milestone and the level of effort and investment required to achieve the respective milestone 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 milestones, which is the satisfaction of the contracts' performance obligations. During the periods ended December 31, 2023 and December 31, 2022, the Company was party to various milestone revenue contracts as discussed in Note 11 of these financial statements, and recorded revenue of $724,473and $99,942, respectively.

Revenue from services provided is 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 are generally billed monthly. During the periods ended December 31, 2023 and December 31, 2022, the Company recorded $189,687 and $54,241, respectively, of revenue for time-and-material research, design, and development contracts.

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 which are recognized in the period in which the revisions are determined. At December 31, 2023 and December 31, 2022, the Company recorded a total of point in time and over-time revenue of $914,160 and $154,183, respectively.

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 December 31, 2023 and December 31, 2022 were $452,402 and $530,014, 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 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 its book value. When book value approximates fair value, no additional disclosure is made.

2. Summary of Significant Accounting Policies, continued

2.12 Concentrations of Credit Risk

The Company maintains its cash in financial institutions selected by management based upon management's 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 its 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 December 31, 2023 and December 31, 2022, 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 in the computation would be anti-dilutive.

	Common Stock Equivalents	
	Dec 31, 2023	Dec 31, 2022
Stock options	239,000	1,136,937
Preferred stock options - Series A	1,107,000	1,107,000
Preferred stock options - Series C	78,000	78,000
Preferred stock options - Series D	373,600	373,600
Preferred stock options - Series E	563,700	434,500
Total	2,361,300	3,130,037

2.14 Leases

The Company adopted the new standard early 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 like 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 resulted in changes to the way the Company's operating leases are recorded, presented, and disclosed in its financial statements. Upon adoption of ASC 842 on January 1, 2021, the Company recognized a ROU asset and a corresponding lease liability 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:

- The Company does not recognize ROU assets and lease liabilities for short-term leases and instead records them in a manner like 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 classification of the leases, and any initial direct costs.

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

3. Going Concern

Historically, the Company has not generated significant revenue from core operations and, accordingly, it has experienced historical net losses, a stockholders' deficit, negative cash flows from operating activities, and negative working capital. During the periods ended December 31, 2023 and December 31, 2022, the Company had net losses of $703,384 and $2,884,919, respectively. The Company had a working capital deficiency of $4,379,842 and $4,063,315 at December 31, 2023 and December 31, 2022, 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 traditional debt financing. These factors together raise a substantial doubt about the Company's ability to continue as a going concern.

The Company has received contracts from governmental 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 VASMIR® . In addition, the Company through its VASMIR® research has gained significant experience in hydrogen transport systems, which the Company plans to continue marketing to various customers. For the periods ended December 31, 2023 and December 31, 2022, the Company recorded research, design, and development income in the statements of operations of $914,160 and $154,183, respectively, related to NASA contracts and hydrogen transport systems revenues or other complementary technologies.

While the VASMIR® rocket is not commercially viable in its current form, the Company expects to continue to be able to source additional research, design and development projects and income from these governmental entities in the upcoming year or additional projects 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.

4. Accounts Receivable

Accounts receivable at December 31, 2023 and December 31, 2022 were $1,345 and $16,468, respectively, and relate to various research, design and development project contracts and revenue from speaking and consulting engagements.

5. Other Assets, net

Other assets comprise the following at December 31, 2023 and December 31, 2022:

	Dec 31, 2023	Dec 31, 2022
Deposits	$ 12,976	$ 12,976
Total	$ 12,976	$ 12,976

6. Property and Equipment

Property and equipment at December 31, 2023 and December 31, 2022, and related activity for the periods then ended, were as follows:

		December 31, 2023		
Description	2022	Additions/ Transfers in	Retirements/ Transfers out	2023
Computer and software	$ 671,853	$ 4,244	$ -	$ 676,097

Laboratory equipment	4,143,710	16,158	-	4,159,868
Machine shop equipment	102,396	-	-	102,396
Leasehold improvements	1,594,129	-	-	1,594,129
Renewable energy equipment	801,898	6,890	-	808,788
Land and building	1,000,000	-	-	1,000,000
Other	145,228	-	-	145,228
	8,459,214	27,292		8,486,506
Less accumulated depreciation	(6,983,376)	(108,538)	-	(7,091,914)
Net property and equipment	$ 1,475,838	$ (81,246)	$-	$1,394,592

		December 31, 2022		
Description	**2021**	**Additions/ Transfers in**	**Retirements/ Transfers out**	**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	1,594,129	-	-	1,594,129
Renewable energy equipment	611,898	190,000	-	801,898
Land and building	1,000,000	-	-	1,000,000
Other	145,228	-	-	145,228
	8,269,214			8,459,214
Less accumulated depreciation	(6,872,101)	(111,275)	-	(6,983,376)
Net property and equipment	$ 1,397,113	$ 78,725	$ -	$ 1,475,838

Depreciation and amortization expense of $108,538 and $111,275 was recognized during the periods ended December 31, 2023 and December 31, 2022, respectively.

7. Accrued Liabilities

Accrued liabilities comprise the following at December 31, 2023 and December 31, 2022:

	Dec 31, 2023	Dec 31, 2022
Deferred salaries	$ 112,041	$ 28,849
Other wages payable	3,035	1,652
Payroll, taxes and benefits	93,673	39,625
Legal contingency	150,000	150,000
	$ 358,749	$ 220,126

8. Notes Payable and Long-Term Debt

The Company had the following notes payable and notes payable, related party at December 31, 2023 and December 31, 2022:

	Dec 31, 2023	Dec 31, 2022
Demand notes payable to an officer of the Company. The notes bear interest annually ranging from 0.22% to 4.5%, are uncollateralized and the principal balance is due on demand.	$ 2,178,275	$ 1,948,275

Demand notes payable to two directors of the Company. The notes bear no interest, is uncollateralized and the principal balance is due on demand. The note's due date has been extended to December 31, 2024 .	55,000	50,000
SAFE agreement entered into on May 27, 2022 when cash from an officer of the Company was received for shares at a discount of 15% and classified as a financial instrument. Conversion date of Sep. 5, 2023. See Note 9.	-	50,000
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 (8.5% at December 31, 2023), due December 31, 2023. Accrued interest on this note was $276,110 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 December 31, 2023 the Company did not anticipate opting out of the purchase agreement.	88,718	92,051
Note payable to a bank, bearing interest at a variable rate, currently 4.5% per year as of December 31, 2023, adjustable quarterly, with monthly principal and interest payments of $6,165, through July 2037.	828,690	862,314
Total Notes Payable	3,558,683	3,410,640
Less current maturities	(2,711,303)	(2,526,303)
Total long-term debt, net of current maturities	$ 847,380	$ 884,337

At December 31, 2023 future minimum principal payments remaining on notes payable and notes payable, related party, are as follows:

Year	
2024	2,711,303
2025	76,915
2026	80,739
2027	67,528
2028 and after	622,198
	$ 3,558,683

The Company's weighted average interest rate on outstanding debt obligations, for the periods ended December 31, 2023 and December 31, 2022 was 3.93% and 2.44%, respectively.

9. SAFE Agreement

On May 27, 2022, the Company entered into a SAFE agreement (Simple Agreement for Future Equity) totaling $50,000 issued to an officer of the Company.

Conversion or cash-out events: In the event of an equity financing in which the Company issues and sells Preferred Stock for the purpose of raising capital and upon approval by the Company's Board of Directors, the SAFE will convert into a series of Preferred Stock of the Company. The SAFE will convert into several shares of preferred stock equal to the quotient obtained by dividing the principal amount of the SAFE by the applicable price per share at a discounted rate of 15%.

The SAFE holder will either receive cash or shares of the Company's common stock for its SAFE if a liquidity event were to occur before the expiration or termination of the SAFE. In the event of a dissolution, the SAFE holder will receive the purchase amount, due and payable immediately prior to, or concurrent with, the consummation of the dissolution event. The SAFE will terminate or expire upon either the issuance of capital stock to the investor, or payment of the amount due to the investor.

Preference upon dissolution: Should the Company dissolve or wind-up operations prior to a conversion or cash-out event, the SAFE holder will be paid back the purchase amount prior to the distribution of assets to Common Stock investors and concurrent with payments for other Convertible Securities and/or Preferred Stock.

On September 5, 2023, the SAFE was converted to 73 Series E Preferred Stock as it was determined that the event of equity financing had occurred. The full value of the shares was recorded as $58,400.

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. In 2021, stock options to acquire 3,000 shares for each active board member for each year were approved for members of the Board. During the periods ended December 31, 2023 and December 31, 2022, the total stock options granted, including the approved shares for active board of directors, totaled 31,000 and 942,937, respectively.

During the periods ended December 31, 2023 and December 31, 2022, stock options cancelled, totaling 928,937 and 2,000, 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	942,937	$ 8.00
Forfeited/cancelled	(2,000)	$ 0.00
Outstanding, December 31, 2022	1,136,937	$ 8.00
Exercisable, December 31, 2022	194,000	$ 8.00
Granted	31,000	$ 8.00
Forfeited/cancelled	(928,937)	-
Outstanding, December 31, 2023	239,000	$ 8.00
Exercisable, December 31, 2023	208,000	$ 8.00

The weighted-average remaining life and weighted-average fair value of outstanding options at December 31, 2023 were 7.34 years and $4.24. At December 31, 2023, 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	239,000	208,000	7.34 years	$8.0	$8.0

During the periods ended December 31, 2023 and December 31, 2022, the Company granted 31,000 and 942,937 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 credited/expensed under the Plan was $-693,589 and $882,273 for the periods ended December 31, 2023 and December 31, 2022, respectively. For stock options granted in 2023 and 2022, the following assumptions were used:

	Dec 31, 2023	Dec 31, 2022
Dividend Yield	0%	0%
Expected Volatility	39%	37%
Weighted Average Risk-Free Interest Rates	4.0%	4.3%
Expected Life in Years	10	10

As of Dec. 31, 2023, there was $109,218 of unrecognized expense remaining related to non-vested stock-based compensation arrangements.

11. Milestone Revenue Contracts

On June 30, 2023, the Company entered into a contract with Estrategia Siglo XXI, a Costa Rican non-profit entity, to plan and execute a training program in green hydrogen technologies for the benefit of Costa Rican youth. The contract period is from June 30, 2023 to June 30, 2026, and revenue to be collected is $225,134 if all milestones are met. The company reviewed various factors, including the contingent nature of the payments for past performance metrics outlined in the contract and concluded that the milestones are substantive. Revenue from this contract will be recorded as research, design, and development income upon the completion of the milestone criteria in the statement of operations. As of December 31, 2023, $108,791 has been invoiced and $116,343 remains to be collected in contingent milestone payments under the contract.

On July 25, 2022, the Company entered into a contract with NASA (NASA-SBIR 2022 Phase I) to provide research and development services with a contract value of approximately $150,000 and a completion date January 25, 2023. The contract was divided into 3 phases and was determined by the Company to be a milestone arrangement. At December 31, 2022, $99,942 was recorded and recognized as revenue. On January 25, 2023, the project concluded and the final invoice for $50,000 was submitted and payment was received. On May 22, 2023, the Company entered into a further contract with NASA to expand 2022 NASA-SBIR 2022 Phase I to Phase II (NASA-SBIR 2022 Phase II). The value of the contract is $848,798 with a maximum period of 24 months for completion. As of December 31, 2023, $ 575,470 was collected and recognized as revenue; $273,328 remains to be collected in contingent milestone payments under the contract .

On August 3, 2023, the Company entered into a contract with NASA (NASA SBIR 2023, Phase I) to provide research and development services with a contract value of $148,550 completion date of February 2, 2024. The contract was divided into 3 phases and was determined by the Company to be a milestone arrangement. As of December 31, 2023, $99,032 was collected and recorded as revenue; $49,518 remains to be collected in contingent milestone payments under the contract.

12. Related Party Transactions

During the periods ended December 31, 2023 and December 31, 2022, the Company has several, uncollateralized, outstanding notes payable totaling $2,233,275 and $1,948,275, respectively, from an officer of the Company bearing interest ranging from 0.25% to 4.50% and due upon demand.

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, 2022 and 2023, 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, 2022 and 2023:

	2022	2023
Deferred tax assets (liabilities):		
Net operating loss carryforwards	$ 7,558,687	$ 7,966,515
Non-deductible accruals	(57,510)	(79,368)
Basis difference in property and equipment	(286,503)	(313,795)
Total deferred tax assets, net	7,214,674	7,573,352
Valuation allowance	(7,214,674)	(7573,352)
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 losses for the years ended December 31, 2022 and 2023 is as follows:

13. Income Taxes, continued

	2022		2023	
	Amount	Percent	Amount	Percent
Benefit for income tax at federal statutory rate	$ (605,833)	(21.0)%	$ (407,828)	(21.0)%
Stock-based compensation	185,277	6.4	218,58	7.3
	$ -	- %	$ -	- %

As of December 31, 2023, for U.S. federal income tax reporting purposes, the Company had approximately $42,229,889 of unused net operating losses ("NOLs") available for carry forward to future years. The benefit from 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 2022 totaling approximately $8,078,000 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 December 31, 2023 and December 31, 2022, 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 Company's 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 Company is authorized by the Superintendencia General de Valores de Costa Rica ("Sugeval") 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 December 31, 2023 and December 31, 2022.

14.2 Preferred Stock

The Company's certificate of incorporation authorizes the issuance of 100,000 shares of $0.01 par value preferred stock in one or any number of series. At December 31, 2023 and December 31, 2022, the Company authorized Series A, C, D and E Preferred Stock issuances as discussed below.

14.3 Series A Preferred Stock

At both December 31, 2023, and December 31, 2022, the Company had 2,200 shares authorized and 369 shares issued and outstanding of $0.01par 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 December 31, 2023 and December 31, 2022, the Company did not issue any shares of Series A Preferred Stock.

At December 31, 2023 and December 31, 2022, there were no accumulated, undeclared dividends.

14.4 Series C Preferred Stock

At December 31, 2023 and December 31, 2022, 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 the Company closes an underwritten public offering and sale of Common Stock pursuant to an effective registration statement under the Securities Act of 1933, as amended.

During the periods ended December 31, 2023 and December 31, 2022, the Company did not issue any shares of Series C Preferred Stock.

At December 31, 2023 and December 31, 2022, there were no accumulated and undeclared dividends.

14.5 Series D Preferred Stock

At December 31, 2023 and December 31, 2022, the Company had 4,000 shares authorized and 3,736 issued and outstanding of $0.01 par value Series D Preferred Stock("Series D"). 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 from the Company 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 periods ended December 31, 2023, the Company did not issue any Series D Preferred Stock.

On December 31, 2020, the Company sold 500 shares of Series D Preferred Stock pursuant to stock subscription agreements with individual investors at a price of $800 per share resulting in cash proceeds of $400,000.

At December 31, 2023 and December 31, 2022, there were no accumulated and undeclared dividends.

14.6 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 Stock. During 2021, the Company's Board of Directors approved and authorized an additional 2,286 shares of Series E Preferred Stock. On September 5, 2023, the Company's Board of Directors approved the designation of 4,750 additional Series E Preferred Shares to bring to a total of 10,000.

The Series E conversion price is equal to the original issue price per share divided by 100. Series E shares become mandatorily convertible to Common Stock 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. The Series E shares are convertible by the holder into Common Stock at any time from the Company 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. Series E has a liquidation preference equal to the original purchase price and does not pay a mandatory dividend.

At December 31, 2023, the Company had 10,000 Series E shares authorized and 5,637 shares issued and outstanding. During the period ended December 31, 2023, the Company sold 624 Series E Preferred Stock shares to private investors. In addition, 595 Series E shares were issued in a debt/equity conversion transaction with a Company vendor and 73 Series E shares applied to the SAFE Equity. A total of 1,292 Series E shares valued at $800 per share, totaling $1,033,600 were issued.

At December 31, 2022, the Company had 5,250 Series E shares authorized and 4,345 shares issued and outstanding. During the year ended December 31, 2022, the Company sold 845 shares of Series E Preferred Stock at $800 per share for cash totaling $676,000 in proceeds. The Company recorded no issuance costs related to this

14.6 Series E Preferred Stock, continued

sale. Additionally, during the year ending December 31, 2022, per an agreement with the stockholder, the Company canceled a portion of the initial sale for 250 shares of Series E purchased for $800 per share and returned $200,000 to the stockholder.

During the year ended December 31, 2021, the Company sold 2,626 shares of Series E at $800 per share for cash totaling $2,101,800 in proceeds. The Company recorded no issuance costs related to this sale.

15. Leases

Operating Lease

The following represents information regarding the operating lease where the Company is the lessee at December 30, 2023:

Assets Category	ROU Assets Carrying Value	Lease Liabilities Carrying Value	Remaining Term	Weighted-Average Discount Rate
Office space lease	$ 542,166	$ 606,111	2.8 years	1.78%

Total operating lease expense for periods ended December 31, 2023 and December 31, 2022 is shown below:

	Dec 31, 2023	Dec 31, 2022
Long-term operating lease:		
Fixed lease expense:		
Non-cash lease expense (amortization of ROU assets)	$ 191,353	$ 191,353
Related accretion expense on lease liability balance	12,616	18,512
Total deferred tax assets, net	$ 203,969	$ 210,081

Cash paid for operating lease liabilities recorded on the consolidated balance sheet included $198,450 and $178,575 related to lease liability reductions and $12,616 and $18,512 related to the imputed interest recorded as lease expense for the periods ended December 31, 2023 and December 31, 2022, respectively.

The future annual lease obligations at December 31, 2023 are as follows:

Year Ending December 31,	
2024	227,684
2025	224,023
2026	183,763
Total undiscounted lease obligations	635,568
Less imputed interest	(15,918)
Net lease obligations	$ 619,650

During the periods ended December 31, 2023 and December 31, 2022, the Company did not record any 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 December 31, 2023 and December 31, 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 LLC, a Costa Rican business entity. On October 28, 2022, Cavendish S.A. signed Memorandum of Understanding to become part of the joint venture; each entity owns 33.33% of ProNova Energy. The joint venture will initially focus on developing green hydrogen solutions for various commercial and industrial applications primarily in the Latin American region. As of December 31, 2023, no financial, product development, or sales activity had occurred in the joint venture.

18. Subsequent Events

Management has evaluated subsequent events through March 26, 2024, 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 other than those described below.

On January 29, 2024, the company acquired a note payable of $1, 500 to an officer of the Company bearing interest of 4.50%.

On February 29, the company acquired a note payable of $28,482 from a director of the company bearing interest of 3.94%. The note is due on demand with option to convert to stock.

On March 1, 2024, the company acquired a note payable of $10,000 from an officer of the Company bearing interest of 4.50%. The note is due on demand with option to convert to stock.