AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the Periods Ended June 30, 2024 (Unaudited)

and

December 31, 2023

Approved:

Franklin Chang Díaz

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

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II. CONSOLIDATED BALANCE SHEETS
FOR PERIODS ENDED JUNE 30, 2024 AND DECEMBER 31, 2023

ASSETS	Jun 30, 2024	Dec 31, 2023
Current assets:		
Cash and cash equivalents	$292,685	$41,125
Accounts receivable	$56,278	$1,345
Prepaid expenses	$13,557	$35,125
Total current assets	**$362,520**	**$77,595**
Property and equipment, net	$1,373,923	$1,394,591
Right of use asset, operating lease	$432,816	$542,167
Other assets, net	$12,976	$12,976
Total assets	**$2,182,235**	**$2,027,329**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$907,676	$903,494
Accrued liabilities	$421,081	$303,577
Interest payable	$293,403	$276,110
Interest payable to related party	$51,498	$29,205
Lease liability, current portion	$209,576	$209,576
Notes payable, current portion	$483,028	$483,028
Notes payable, related party	$2,273,424	$2,228,575
Total current liabilities	**$4,639,686**	**$4,433,265**
Lease liability, net of current portion	$292,193	$396,535
Notes payable, net of current portion	$839,792	$842,121
Convertible Notes	400,000	-
Convertible Notes – Related Party	350,000	-
Total liabilities	**$6,521,671**	**$5,671,921**
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	$60	$56
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	$42,748,663	$42,375,810
Accumulated deficit	$(47,298,421)	($46,230,720)
Total stockholders' deficit	$(4,339,436)	($3,644,592)
Total liabilities and stockholders' deficit	**$2,182,235**	**$2,027,329**

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

III. CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED JUNE 30, 2024 AND DECEMBER 31, 2023

	Jun 30, 2024	Dec 31, 2023
Research and Development income	**$250,605**	**$ 914,160**
Operating Expenses		
Payroll Expense	747,070	1,314,475
Professional Fees	37,212	145,126
Other General and Administrative expenses	467,180	1,596,367
Stock compensation forfeitures	-	(1,580,203)
Total Operating Expenses	**$1,251,462**	**$1,475,765**
Other Income/Expense		
Interest Expense	(86,471)	(133,288)
Other Income, net	19,628	48,933
Total other income (expense), net	**(66,843)**	**(84,355)**
Net income (loss) before provision for income taxes	**(1,067,701)**	**(645,960)**
Provision for income taxes	-	-
Net Loss	**(1,067,701)**	**(645,960)**
Basic and diluted income (loss) per share	(0.05)	(0.03)
Basic and diluted weighted-average common shares outstanding	**21,021,963**	**21,021,963**

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

IV. CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE PERIODS ENDED DECEMBER 31, 2022, 2023, AND JUNE 30, 2024

	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, 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							624	6			499,191		499,197
Preferred Stock Issued for Conversion							668	7			534,393		534,400
Stock Based Compensation											886,664		886,664
Stock Based Compensation Forfeitures											(1,580,203)		(1,580,203)
Net Gain(Loss)												(645,960)	(645,960)
Balance as of Dec. 31, 2023	369	$ 4	26	-	3,736	$ 37	5,637	$ 56	21,021,963	210,221	42,375,810	(46,230,720)	(3,644,592)
Preferred Stock Issued for Cash							400	4			319,996		320,000
Preferred Stock Issued for Conversion							-						
Compensatory Element of Stock Option Grant							-				52,857		52,857
Stock Based Compensation Forfeitures							-						
Net Gain(Loss)												(1,067,701)	(1,067,701)
Balance as of Jun 30, 2024	369	$ 4	26	-	3,736	$ 37	6,037	$ 60	21,021,963	210,221	42,748,663	(47,298,421)	(4,339,436)

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 JUNE 30, 2024 AND DECEMBER 31, 2023

	Jun 30, 2024	Dec 31, 2023
Net (Loss)	**(1,067,701)**	**(645,960)**
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and Amortization expense	60,823	108,553
Right of use asset amortization – operating lease	109,351	191,353
Gain on contribution of equipment	-	-
Stock based compensation	52,857	886,664
Stock based compensation - forfeitures	-	(1,580,203)
Changes in operating assets and liabilities:		
Accounts receivable	(54,933)	15,123
Prepaid expenses	21,568	(20,195)
Accounts payable and accrued liabilities	121,686	215,690
Payments on lease obligation	(104,342)	(185,837)
Interest payable	17,293	35,096
Interest payable, related party	22,293	26,938
Net cash provided (used) by operating activities	**(821,105)**	**(927,020)**
Cash flows from investing activities:		
Purchases of property and equipment	(44,113)	(27,306)
Adjustments to property and equipment	3,955	-
Net cash provided (used) by investing activities	**(40,155)**	**(27,306)**
Cash flows from financing activities		
Proceeds from notes payable	-	10,259
Payments on notes payable	(329)	
Proceeds from notes payable, related party	45,149	230,000
Payments on notes payable, related party	(2,000)	(47,475)
Proceeds from convertible notes	400,000	
Proceeds from convertible notes – related party	350,000	
Proceeds from issuance of preferred stock	320,000	499,497
Net cash provided (used) by financing activities	**(1,112,820)**	**691,981**
Net change in cash	**(251,560)**	**(262,345)**
Cash, beginning of year	41,125	329,228
Cash, end of period	292,685	41,125
NON-CASH INVESTING AND FINANCING ACTIVITIES		
YtD Cash paid for interest	86,472	133,288
Liability extinguished through equity conversion		484,400
SAFE contract liability conversion to preferred stock		50,000

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED JUNE 30, 2024 AND DECEMBER 31, 2023

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 June 30, 2024 and December 31, 2023, 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

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 June 30, 2024 and December 31, 2023, 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, 2024 and December 31, 2023.

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 $52,857 and $886,664 for the periods ended June 30, 2024 and December 31, 2023, respectively, which consists of stock-based compensation expense related to employee and director stock option issuances. During 2023, there was a total of $1,580,203 in stock based compensation recovery such as forfeitures.

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 green hydrogen 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 milestone which is the satisfaction of the contracts performance obligation. During the periods ended June 30, 2024 and December 31, 2023, the Company was party to various milestone revenue contracts as discussed in Note 11 of these financial statements, and recorded point in time revenue of $250,605 and $724,502, respectively.

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. 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 June 30, 2024 and December 31, 2023, the Company recorded $1,324 and $189,688, 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.

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, 2024 and December 31, 2023 were $278,429 and $605,389, 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.

2.12 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 June 30, 2024 and December 31, 2023, 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	
	Jun 30, 2024	Dec 31, 2023
Stock options	239,000	239,000
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	603,700	563,700
Total	2,401,300	2,361,300

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.

2.14 Leases, continued

- 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 June 30, 2024 and December 31, 2023, the Company had net losses of $1,067,701 and $645,960, respectively. The Company had a working capital deficiency of $4,277,166and $4,355,670 at June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023, the Company recorded research, design, and development income in the statements of operations of $250,605 and $914,160, 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 June 30, 2024 and December 31, 2023 were $56,278 and $1,345, 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 June 30, 2024 and December 31, 2023:

	Jun 30, 2024	Dec 31, 2023
Deposits	$ 12,976	$ 12,976
Total	$ 12,976	$ 12,976

6. Property and Equipment

Property and equipment at June 30, 2024 and December 31, 2023, and related activity for the periods then ended, were as follows:

		June 30, 2024		
Description	**2023**	**Additions / Transfers in**	**Retirements/ Transfers out**	**Jun 30, 2024**
Computer and software	$ 676,097	-	-	$ 676,097
Laboratory equipment	4,159,868	44,113	-	4,203,981
Machine shop equipment	102,396	-	-	102,396
Leasehold improvements	1,594,129	-	-	1,594,129
Renewable energy equipment	808,788	-	(3,958)	804,830
building	455,300	-	-	455,300
Land	544,700	-	-	544,700
Other	145,228	-	-	145,228
Totals	8,486,506	44,113	(3,958)	8,526,661
Less accumulated depreciation & amortization	(7,091,915)	(60,823)	-	(7,152,738)
Net property and equipment	$1,394,592	$16710	$(3,958)	$1,373,923

		December 31, 2023		
Description	**2022**	**Additions/ Transfers in**	**Retirements/ Transfers out**	**2023**
Computer and software	$ 671,853	$ 4,258	$ -	$ 676,111
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	804,398	6,890	-	811,288
Land and building	1,000,000	-	-	1,000,000
Other	145,228	-	-	145,228
	8,461,214	27,306		8,489,020
Less accumulated depreciation	(6,983,376)	(108,553)	-	(7,091,914)
Net property and equipment	$ 1,475,838	$ (81,247)	$ -	$1,394,591

Depreciation and amortization expense of 60,823and $108,553 was recognized during the periods ended June 30, 2024 and December 31, 2023, respectively.

7. Accrued Liabilities

Accrued liabilities comprise the following at June 30, 2024 and December 31, 2023:

	Jun 30, 2024	Dec 31, 2023
Deferred salaries	$ 28,849	$ 28,849
Other wages payable	23,227	3,034
Payroll, taxes and benefits	196,828	101,915
Accrued liabilities, other	22,177	19,779
Legal contingency	150,000	150,000
	$ 421,081	$ 303,577

8. Notes Payable and Long-Term Debt

The Board of Directors approved the issue of a total of $5.0 million in Convertible Notes (Notes) to fund the company's operations in March 2024. The Notes are issued at a five-year maturity date. All unpaid principal, together with any then accrued but unpaid interest and any other amounts payable, shall be due and payable on the earlier to occur of (i) the Maturity Date or (ii) the occurrence of an Event of Default (as defined in the Notes Agreement) (such earliest date referred to as maturity).

The Company had the following convertible notes, related party promissory notes, and notes payable at June 30, 2024 and December 31, 2023:

	Jun 30, 2024	Dec 31,2023
Long term convertible notes payable. The notes bear compounded interest annually of 4.25%, at term of 5 years. The convertible Notes may be converted in accordance with the provisions established; or are due at the Maturity Date (2029) including all unpaid accrued interest. As of June 30, 2024, the total interest accrued is $2,399.	$ 400,000	-
Related Party Long term convertible notes payable to officers of the Company. The notes bear compounded interest annually of 4.25% at term of 5 years. The convertible Notes may be converted in accordance with the provisions established; or become due at the Maturity Date in 2029, including all unpaid accrued interest. As of June 30, 2024, the total interest accrued is $990.	350,000	-
Demand notes payable to an officer and employees 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.	2,187,775	1,948,275
Demand notes payable to two directors and employees of the Company. The notes bear no interest, are uncollateralized and the principal balance is due on demand. The note's due date has been extended to December 31, 2024 .	85,649	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 June 30, 2024), due December 31, 2024. Accrued interest on this note was $293,403 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% (colones) 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, 2024 the Company did not anticipate opting out of the purchase agreement.	86,782	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 $6,165, through July 2037.	828,038	862,314
Total Notes Payable	**4,346,244**	**3,410,640**
Less current maturities	(2,756,452)	(2,526,303)
Total long-term debt, net of current maturities	**$ 1,589,792**	**$ 884,337**

8. Notes Payable and Long-Term Debt, continued

At June 30, 2024 future minimum principal payments remaining on notes payable and notes payable, related party, are as follows:

Year	
2024	2,756,452
2025	76,915
2026	81,495
2027	60,592
2028	54,932
2028 and after	1,315,858
	$ 4,346,244

The Company's weighted average interest rate on outstanding debt obligations, for the periods ended June 30, 2024 and December 31, 2023 was 3.72% and 3.19%, 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 June 30, 2024 and December 31, 2023, the total stock options granted, including the approved shares for active board of directors, totaled 0 and 31,000, respectively.

During the periods ended June 30, 2024 and December 31, 2023, stock options cancelled, totaling 0 and 928,937, respectively. The following table summarizes certain information relative to stock options issued pursuant to the Plan:

10. Stock Incentive Plan, continued

	2016 Stock Incentive Plan	
		Weighted Average Exercise
Outstanding, December 31, 2021	**196,000**	**$ 8.00**
Granted	942,937	$ 8.00
Forfeited/cancelled	(2,000)	$ 8.00
Outstanding, December 31, 2022	**1,136,937**	**$ 8.00**
Granted	31,000	$ 8.00
Forfeited/cancelled	(928,937)	$ 8.00
Outstanding, December 31, 2023	**239,000**	**$ 8.00**
Granted	-	$ 8.00
Forfeited/cancelled	-	
Outstanding, June 30, 2024	**239,000**	**$ 8.00**
Exercisable, June 30, 2024	**211,000**	**$ 8.00**

The weighted-average remaining life and weighted-average fair value of outstanding options at June 30, 2024 were 6.92 years and $4.24. At June 30, 2024, 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	211,000	6.92 years	$8.0	$8.0

During the periods ended June 30, 2024 and December 31, 2023, the Company granted 0 and 31,000 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 $52,857 and credited $886,661 for the periods ended June 30, 2024 and December 31, 2023, respectively. For stock options granted in 2024 and 2023, the following assumptions were used:

	Jun 30, 2024	Dec 31, 2023
Dividend Yield	0%	0%
Expected Volatility	39%	39%
Weighted Average Risk-Free Interest Rates	4.0%	4.0%
Expected Life in Years	10	10

As of June 30, 2024, there was $33,924 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 June 30, 2024, $115,000 has been invoiced and $110,134 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 June 30, 2024, $ 696,165 was collected and recognized as revenue; $152,633 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. On February 2, 2024, the project concluded and payment for the final invoice for $49,518 was collected and recorded as revenue. .. On May 24, 2024, the Company entered into a further contract with NASA to expand 2023 NASA-SBIR 2023 Phase I to Phase II (NASA-SBIR 2023 Phase II). The value of the contract is $849,970 with a maximum period of 24 months for completion. As of June 30, 2024, $ 50,000 was collected and recognized as revenue; $799,970 remains to be collected in contingent milestone payments under the contract .

12. Related Party Transactions

During the periods ended June 30, 2024 and December 31, 2023, the Company has several, uncollateralized, outstanding notes payable totaling $2,823,424 and $2,233,275, respectively, from officers and employees of the Company bearing interest ranging from 0.0% to 4.50% and due upon demand.

On May 27, 2022, the Company entered into a SAFE agreement with a former officer of the Company for $50,000, classified as a liability that was converted into preferred shares in 2023. See Note 9.

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:

	2023	**2022**
Deferred tax assets (liabilities):		
Net operating loss carryforwards	7,725,960	7,558,687
Non-deductible accruals	205,009	259,591
Basis difference in property and equipment	-270,068	-286,365
Total deferred tax assets, net	7,660,901	7,531,913
Valuation allowance	7,660,901	7,531,913
Deferred tax assets, net	$ -	$ -

13. Income Taxes, continued

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:

	2023		2022	
	Amount	**Percent**	**Amount**	**Percent**
federal statutory rate	$ (135,652)	(21.0)%	$ (605,833)	(21.0)%
Change in valuation allowance	128,988	19.99	811,709	28.1
Stock-based compensation	(145,644)	(22.)	185,277	6.4
Tax accrual to return adjustments	152,308	23.6	(93,257)	(3.2)
	$ -	- %	$ -	- %

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 June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023.

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 June 30, 2024 and December 31, 2023, the Company authorized Series A, C, D and E Preferred Stock issuances as discussed below.

14.3 Series A Preferred Stock

At both June 30, 2024, and December 31, 2023, 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 June 30, 2024 and December 31, 2023, the Company did not issue any shares of Series A Preferred Stock.

At June 30, 2024 and December 31, 2023, there were no accumulated, undeclared dividends.

14.4 Series C Preferred Stock

At June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023, the Company did not issue any shares of Series C Preferred Stock.

At June 30, 2024 and December 31, 2023, there were no accumulated and undeclared dividends.

14.5 Series D Preferred Stock

At June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023, the Company did not issue any Series D Preferred Stock.

14.5 Series D Preferred Stock, continued

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 June 30, 2024 and December 31, 2023, 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 June 30, 2024, the Company had 10,000 Series E shares authorized and 6,037 shares issued and outstanding.
At December 31, 2023, the Company had 10,000 Series E shares authorized and 5,637 issued and outstanding.
At December 31, 2022, the Company had 5,250 Series E shares authorized and 4,345 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 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.

During the year ended December 31, 2023, the Company converted a liability payable to two vendors into 595 shares of Series E Preferred Stock at $800 per share totaling $475,994 in debt forgiveness. The Company recorded no issuance costs related to this sale.

During the year ended December 31, 2023, the Company sold 624 shares of Series E Preferred Stock at $800 per share for cash totaling $499,197 in proceeds. The Company recorded no issuance costs related to this sale.

During the year ended December 31, 2023, pursuant and as defined in the SAFE agreement, the debt of $50,000 was automatically converted into a total of 73 shares of Series E Preferred Stock at a 15% discounted price of $680 per share. The conversion was triggered by the equity financing for the purpose of raising capital. See Note 9.

During the year ended December 31, 2022, the Company sold 220 shares of Series E Preferred Stock at $800 per share for cash totaling $176,000 in proceeds. The Company recorded no issuance costs related to this sale.

During the year ended December 31, 2022, the Company sold 625 shares of Series E Preferred Stock at $800 per share for cash totaling $500,000 in proceeds, to one stockholder. The Company recorded no issuance costs related to this 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 Preferred Stock purchased for $800 per share and returned $200,000 to the stockholder.

15. Leases

Operating Lease

The following represents information regarding the operating lease where the Company is the lessee at June 30, 2024:

Assets Category	ROU Assets Carrying Value	Lease Liabilities Carrying Value	Remaining Term	Weighted-Average Discount Rate
Office space lease	$ 446,490	$ 501,769	2.3 years	1.78%

Total operating lease expense for periods ended June 30, 2024 and December 31, 2023 is shown below:

	Jun 30, 2024	Dec 31, 2023
Long-term operating lease:		
Fixed lease expense:		
Non-cash lease expense (amortization of ROU assets)	$ 104,342	$ 191,353
Related accretion expense on lease liability balance	5,008	12,616
Total deferred tax assets, net	$ 109,350	$ 203,969

Cash paid for operating lease liabilities recorded on the consolidated balance sheet included $109,350 and $198,450 related to lease liability reductions and $5,008 and $12,616 related to the imputed interest recorded as lease expense for the periods ended June 30, 2024 and December 31, 2023, respectively.

The future annual lease obligations at June 30, 2024 are as follows:

Year Ending June 30,	
2024	113,424
2025	224,023
2026	183,763
Total undiscounted lease obligations	521,210
,	
Less imputed interest	(10,910)
Net lease obligations	$ 510,300

During the periods ended June 30, 2024 and December 31, 2023, 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 June 30, 2024 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 The Pearl Trading Group Corp (Mesoamerica) entered into a joint venture which created a newly formed entity ProNova Energy S.R.L, a Costa Rican business entity; each entity owns 50%. The joint venture focuses on developing green hydrogen solutions for various commercial and industrial applications. On October 28, 2022, Cavendish S.A. signed a Memorandum of Understanding to become part of the joint venture.

On February 2024, Ad Astra Servicios Energéticos y Ambientales, Inc.(the Company's wholly owned subsidiary), The Pearl Trading Group Corp (Mesoamerica) and Cavendish S.A., jointly, registered two new entities, ProNova Energy Developers, LLC and ProNova Energy Holdings, LLC, in the state of Delaware. The purpose of creating these new entities is to develop green hydrogen solutions for various commercial and industrial applications, primarily in Latin America.

On May 22, 2024, the Company's Costa Rican Subsidiary and The Pearl Trading Group Corp (Mesoamerica) transferred one hundred percent ownership of ProNova Energy S.R.L to ProNova Energy Holdings, LLC.

As of June 30, 2023, no financial, product development, or sales activity had occurred in the joint venture.

18. Subsequent Events

Management has evaluated subsequent events through August 15, 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 July 29, 2024 the Company entered into a contract with ProNova Energy Holdings, LLC. For the Engineering Desing of the ProNova Green Hydrogen Transportation Project. The total value of the contract is $240,000 with a period of performance ending on February 28, 2025. As of July 29, 2024, $140,000 has been collected and recorded as revenue; $100,000 remains to be collected contingent milestone payments under the contract.