

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES



AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the Periods Ended September 30, 2025 (Unaudited, with correction)

and

December 31, 2024

Approved by:

Franklin Chang Díaz
CEO

By electronic signature

Created by:

Enriqueta Martinez
Corporate Controller


Signature

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

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II. CONSOLIDATED BALANCE SHEETS FOR PERIODS ENDED SEPTEMBER 30, 2025 AND DECEMBER 31, 2024

ASSETS	Sep 30, 2025	Dec 31, 2024
Current assets:		
Cash and cash equivalents	\$5,892,126	\$453,984
Accounts receivable	\$2,261	\$1,210
Prepaid expenses	\$81,874	\$39,200
Total current assets	\$5,976,261	\$494,394
 Property and equipment, net	 \$1,714,675	 \$1,302,164
Right of use asset, operating lease	\$1,590,000	\$350,814
Other assets, net	\$35,842	\$12,976
Total assets	\$9,316,778	\$2,160,348
 LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$126,716	\$502,273
Accrued liabilities	\$461,794	\$398,640
Interest payable	\$6,516	-
Interest payable to related party	\$117,087	\$77,669
Lease liability, current portion	\$250,061	\$213,377
Notes payable, current portion	\$75,028	\$157,204
Notes payable, related party	\$948,560	\$2,227,775
Total current liabilities	\$1,985,762	\$3,576,938
 Operating lease liability, net of current portion	\$1,375,674	\$183,116
Notes payable, net of current portion	\$966,328	\$1,148,704
Notes payable, related party, net of current portion	\$302,200	559,521
Total liabilities	\$4,629,964	\$5,468,279
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, 10,000 shares authorized; 8,560 shares issued and outstanding	\$86	\$79
Series F: \$0.01 par value, 16,338 shares authorized, 9,616 shares issued and outstanding	\$96	
Common stock, \$0.01 par value, 75,000,000 shares authorized; 21,021,963 shares issued and outstanding	\$211,600	\$210,221
Additional paid-in capital	\$53,338,465	\$44,168,536
Accumulated deficit	\$(48,863,474)	\$(47,686,808)
Total stockholders' Equity	\$4,686,814	\$(3,307,931)
Total liabilities and stockholders' deficit	\$9,316,778	\$2,160,348

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III. CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED SEPTEMBER 30, 2025 AND DECEMBER 31, 2024

	Sep 30, 2025	Dec 31, 2024
Research and Development income	\$689,257	\$ 849,231
 Operating Expenses		
Payroll Expense	1,151,912	1,365,006
Professional Fees	483,964	84,496
Other General and Administrative expenses	691,687	796,433
Stock compensation / forfeitures	<u>(464,953)</u>	<u>(24,052)</u>
Total Operating Expenses	\$ 1,862,610	\$ 2,221,883
 Other Income/Expense		
Interest Expense	(114,348)	(188,999)
Other Income, net	<u>111,035</u>	<u>105,563</u>
Total other income (expense), net	\$ (3,313)	\$ (83,436)
 Net income (loss) before provision for income taxes	\$ (1,176,666)	\$ (1,456,088)
 Provision for income taxes	-	-
 Net Loss	\$ (1,176,666)	<u><u><u>\$ (1,456,088)</u></u></u>
 Basic and diluted income (loss) per share	<u><u><u>(0.06)</u></u></u>	<u><u><u>(0.07)</u></u></u>
 Basic and diluted weighted-average common shares outstanding	<u><u><u>21,159,963</u></u></u>	<u><u><u>21,021,963</u></u></u>

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IV. CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE PERIODS ENDED SEPTEMBER 30, 2025, 2024, 2023

													Accumulated			
	Preferred Stock						Preferred Stock-Exclusiv			Common Stock		Stock	Additional	Deficit	Total	
	Series A	Series C	Series D	Series E	Series F	Shares	Par Val	Shares	Par Val	Shares	Par Val	Subscription	Paid-in	During	Stockholders	
	Shares	Par Val	Shares	Par Val	Shares	Par Val	Shares	Par Val	Shares	Par Val	Receivable	Capital	Development	Equity(Deficit)		
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					1,025		10						819,990		820,000	
Preferred Stock Issued for Conversion					1,246		13						996,788		996,801	
Compensatory Element of Stock Option Grant					-								93,428		93,428	
Stock Based Compensation Forfeitures & Adj													(117,480)		(117,480)	
Net Gain(Loss)														(1,456,088)	(1,456,088)	
Balance as of Dec 31, 2024	369	4	26	-	3,736	37	7,908	79		21,021,963	210,221	-	44,168,536	(47,686,808)	(3,307,931)	
Common Stock Issued for Cash								1,000		10			7,990		8,000	
Common Stock Issued for conversion								137,000		1,370			1,094,630		1,096,000	
Preferred Stock Issued for Cash Series F						9,616		96					7,999,904		8,000,000	
Preferred Stock Issued for Cash Series E					75		1						62,074		62,075	
Preferred Stock Issued for Conversion					577		6						469,999		470,005	
Compensatory Element of Stock Option Grant													92,130		92,130	
Stock Based Compensation Forfeitures & Adj													(556,799)		(556,799)	
Rouding Adjustment												(1)	1		-	
Net Gain(Loss)														(1,176,666)	(1,176,666)	
Balance as of Sep 30, 2025	369	4	26	-	3,736	37	8,560	86	9,616	96	21,159,963	211,600	-	53,338,465	(48,863,474)	4,686,814

The accompanying notes are an integral part of consolidated financial statements

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V. CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2025 AND DECEMBER 31, 2024

	Sep 30, 2025	Dec 31, 2024
Net (Loss)	(1,176,666)	(1,456,088)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and Amortization expense	134,949	141,235
Right of use asset amortization – operating lease	200,056	191,353
Stock based compensation	92,130	93,428
Stock based compensation - forfeitures	(556,799)	(117,480)
Gain on extinguishing liability	28,853	(68,088)
Changes in operating assets and liabilities:		
Accounts receivable	(1,051)	135
Prepaid expenses	(45,540)	(4,075)
Deposits	(20,000)	
Accounts payable and accrued liabilities	(341,256)	10,584
Payments on lease obligation	(210,000)	(218,700)
Interest payable	6,516	88,068
Interest payable, related party	39,418	57,985
Net cash provided (used) by operating activities	(1,849,390)	(1,281,643)
Cash flows from investing activities:		
Purchases of property and equipment	(547,460)	(52,764)
Adjustments to property and equipment	-	-
Net cash provided (used) by investing activities	(547,460)	(52,764)
Cash flows from financing activities		
Proceeds from notes payable	-	400,000
Payments on notes payable	(56,235)	(22,234)
Proceeds from notes payable, related party	-	561,500
Payments on notes payable, related party	(124,776)	(12,000)
Proceeds from issuance of Preferred stock, Series E	8,003	820,000
Proceeds from issuance of Preferred stock Series F	8,000,000	
Proceeds from issuance of Common stock	8,000	-
Net cash provided (used) by financing activities	7,834,992	1,747,266
Net change in cash	5,438,142	412,859
Cash, beginning of year	453,984	41,125
Cash, end of period	5,892,126	453,984
Supplemental Disclosure of cash flow information:		
YtD Cash paid for interest	114,348	42,946
Non-cash investing and financing activities:		
Liability extinguished through equity conversion	-	408,000
Accounts payable converted to preferred stock	-	279,277
Non-cash interest on convertible notes	6,516	10,993
Non-cash interest on convertible notes, related party	8,784	9,521
Accrued interest converted to preferred stock	-	309,524
Accrued interest converted to preferred stock – related party	11,297	
Debt converted to Preferred stock	524,077	-
Debt converted to Common stock	1,096,000	-

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2025 AND DECEMBER 31, 2024

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 Credit Losses

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 September 30, 2025 and December 31, 2024, there was no allowance as management believes all accounts receivable are collectible.

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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:

	<u>Years</u>
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 Investment in Joint Venture

The Company owns a 33.3% share in a Joint Venture and determined it would be recorded using the equity method to account for the Joint Venture investment. Under the equity method, the Company's initial investment is recorded at cost and is subsequently adjusted based on the Company's proportionate share of the net income of these entities, less member distributions. The Company does not record losses in excess of its share of the investment's equity when it is not required to fund the deficit through contributions.

2.8 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 September 30, 2025 and December 31, 2024, the Company did not record any impairment expense related to long-lived assets.

2.9 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 September 30, 2025 and December 31, 2024.

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

2.10 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 \$92,130 and \$93,428 for the periods ended September 30, 2025 and December 31, 2024, respectively, which consists of stock-based compensation expense related to employee and director stock option issuances. There was a total of \$556,799 and \$117,480 in stock-based compensation recovery such as forfeitures for the periods ended September 30, 2025 and December 31, 2024.

2.11 Revenue and Cost Recognition

2.11.1 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 the criteria required to conclude that a milestone is substantive. Revenue from these milestone contracts will be recognized at the point in time when the Company successfully accomplishes the milestone which is the satisfaction of the contract’s performance obligation. During the periods ended September 30, 2025 and December 31, 2024, 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 \$657,265 and \$774,564, 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 September 30, 2025 and December 31, 2024, the Company recorded \$31,992 and \$74,667, 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.

2.11.2 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 September 30, 2025 and December 31, 2024 were \$374,792 and \$649,751, respectively, and were included as a component of other general and administrative expenses in the consolidated statements of operations.

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2.12 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.

2.13 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.

2.14 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 September 30, 2025 and December 31, 2024, 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.

	<u>Common Stock Equivalents</u>	
	<u>Sep 30, 2025</u>	<u>Dec 31, 2024</u>
Stock options	116,600	232,600
Preferred stock - Series A	1,107,000	1,107,000
Preferred stock - Series C	78,000	78,000
Preferred stock - Series D	373,600	373,600
Preferred stock - Series E	856,000	790,800
Preferred stock - Series F	961,600	-
Total	<u>3,414,878</u>	<u>2,582,000</u>

2.15 Leases

The Company follows the provisions of ASC 842 where its operating lease arrangements are comprised primarily of real estate. The Company determines if an arrangement contains a lease at inception based on whether it conveys the right to control the use of an identified asset in exchange for consideration. Lease right-of-use assets ("ROU assets") and associated lease liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Certain lease agreements may include one or more options to extend or terminate a lease. Lease terms are inclusive of these options if it is reasonably certain that the Company will exercise such options. ROU assets also include any initial direct costs and prepayments less lease incentives. As most of the Company's leases do not provide an implicit rate, the Company's elected the practical expedient available to private companies where the risk free rate that corresponds to the lease term can be used at the commencement date. Lease expense is recognized on a straight-line basis over the lease term.

ROU assets and the corresponding operating lease liabilities are separately presented in the Company's consolidated balance sheet. The Company also elected to apply the short-term measurement and recognition exemption in which the ROU assets and lease liabilities are not recognized for short-term leases. The Company also elected to apply the practical expedient to consider non-lease components as a part of the lease.

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3. Going Concern

The Company's financial statements have been prepared on the basis that it will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As a company in its development phase, Ad Astra Rocket Company (the "Company") has historically focused on strategic research and development, which has led to a period of net losses and negative cash flows from operating activities. The Company has incurred accumulated stockholders' deficits reflective of these early-stage investments. During the periods ended September 30, 2025 and December 31, 2024, the Company reported net losses of \$1,176,666 and \$1,456,087 which represented a decrease in net loss of \$279,421. The Company as of September 30, 2025, noted positive working capital of \$3,990,499 and a working capital deficiency as of December 31, 2024 of \$3,082,544. The reduction in net loss and increase in working capital are the result of the execution of management's capital plan to obtain strategic capital investment through the issuance of common and preferred stock, convertible debentures from a related party, and other traditional debt financing. Despite the execution of management's liquidity plans, the historical financial performance, as is typical for companies at this stage, currently raises substantial doubt about the Company's ability to continue as a going concern for a period of one year from the date these financial statements are issued.

Management is continuing to actively pursue its comprehensive strategy to address these conditions, focusing on the continued expansion of its high-value research, design, and development service offerings, securing further strategic funding, and continued participation with the Company's debt holders or obtaining additional debt financing to negotiate the most favorable terms available to the Company. The Company has established and continues to maintain key contracts with governmental entities and other public and private organizations that are in line with the Company's product and service development, as further detailed in the Revenue and Cost Recognition section of Note 2 Summary of Significant Accounting Policies. These contracts represent an important part of the comprehensive strategy providing a complimentary source of income, stemming from sophisticated research, design, and development projects specifically related to the Company's proprietary VASMIR® technologies and its significant expertise in hydrogen transport systems. For the periods ended September 30, 2025 and December 31, 2024, the Company recognized substantial research, design, and development income of \$657,265 and \$849,231, respectively, primarily from NASA contracts and revenues tied to hydrogen transport systems or complementary technologies.

While the VASMIR® rocket technology, in its current iteration, is progressing through its development roadmap and is not yet commercially viable for direct sale, management is highly confident in its ability to continue sourcing additional high-value research, design, and development projects and associated income from these established governmental entities in the upcoming year. This confidence is further bolstered by anticipated new projects that will strategically leverage the Company's deep knowledge of hydrogen transport systems. The Company's long-term success and ultimate commercialization are strategically dependent on its ability to effectively expand its advanced service offerings and obtain sufficient equity or debt funding to meet current commitments and fuel the continuation of its innovative business operations.

Management's comprehensive plans as outlined above will be required to fully implement the Company's business plan and capitalize on its technological advancements. However, given the nature of early-stage development and external market factors, there can be no absolute assurance that the Company will be successful in obtaining all necessary funding or in achieving profitable operations within the immediate future. Consequently, these conditions continue to raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

4. Accounts Receivable

Accounts receivable at September 30, 2025 and December 31, 2024 were \$2,261 and \$1,210, respectively, and relate to various research, design and development project contracts and revenue from speaking and consulting engagements.

5. Property and Equipment

Property and equipment at September 30, 2025 and December 31, 2024, and related activity for the periods then ended, were as follows:

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5. Property and Equipment, continued

	September 30, 2025			
	2024	Additions / Transfers in	Retirements/ Transfers out	Sep 30, 2025
<i>Computer and software</i>	\$ 684,755	36,413	-	\$ 721,168
<i>Laboratory equipment</i>	4,203,980	242,250	-	4,446,230
<i>Machine shop equipment</i>	102,396	-	-	102,396
<i>Leasehold improvements</i>	1,594,136	-	-	1,594,136
<i>Renewable energy equipment</i>	807,333	3489	-	810,822
<i>building</i>	455,300	-	-	455,300
<i>Land</i>	544,700	-	-	544,700
<i>Other</i>	145,228	265,308	-	410,536
Totals	8,537,828	547,460	-	9,085,288
<i>Less accumulated depreciation & amortization</i>	(7,235,664)	(134,949)	-	(7,370,613)
Net property and equipment	<u>\$1,302,164</u>	<u>\$412,511</u>	<u>-</u>	<u>\$1,714,675</u>

	2024			
	2023	Additions/ Transfers in	Retirements/ Transfers out	2024
<i>Computer and software</i>	\$ 676,111	\$ 8,644	-	\$ 684,755
<i>Laboratory equipment</i>	4,159,867	44,113	-	4,203,980
<i>Machine shop equipment</i>	102,396	-	-	102,396
<i>Leasehold improvements</i>	1,594,129	7	-	1,594,136
<i>Renewable energy equipment</i>	811,288	-	3,955	807,333
<i>building</i>	455,300	-	-	455,300
<i>Land</i>	544,700	-	-	544,700
<i>Other</i>	145,228	-	-	145,228
Totals	8,489,020	52,764	3,955	8,537,828
<i>Less accumulated depreciation & amortization</i>	(7,094,429)	(141,235)	-	(7,235,664)
Net property and equipment	\$ 1,394,591	\$ (88,472)	3,955	\$1,302,164

Depreciation and amortization expense of \$134,949 and \$141,235 was recognized during the periods ended September 30, 2025 and December 31, 2024, respectively.

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

6. Accrued Liabilities

Accrued liabilities comprise the following at September 30, 2025 and December 31, 2024:

	<u>Sep 30, 2025</u>	<u>Dec 31, 2024</u>
Deferred salaries	\$ -	\$ 28,849
Other wages payable	19,504	2,174
Payroll, taxes and benefits	284,748	196,223
Accrued liabilities, other	7,542	21,394
Legal contingency	<u>150,000</u>	<u>150,000</u>
	<u>\$ 461,794</u>	<u>\$ 398,640</u>

7. Notes Payable and Long-Term Debt

The Company had the following convertible notes, related party promissory notes, and notes payable at September 30, 2025 and December 31, 2024:

	<u>Sep 30, 2025</u>	<u>Dec 31, 2024</u>
Demand notes payable to an officer and employees of the Company. The notes bear interest annually ranging from 0.22% to 4.75%, are uncollateralized and the principal balance is due on demand.	\$948,560	\$2,177,775
Demand notes payable to two directors and employees of the Company. The notes bear interest annually ranging from 3.0% to 4.5%, are uncollateralized and the principal balance is due on demand.	-	\$55,000
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 September 30, 2025 the Company did not anticipate opting out of the purchase agreement.	\$62,661	\$77,667
Note payable to a bank, bearing interest at a variable rate, currently 3.41% per year as of September 30, 2024, which can be adjusted quarterly, and due in total monthly payments of \$6,063, including interest, through June 2037. The note payable is collateralized by the land and building in Costa Rica.	\$773,709	\$812,270
<i>Convertible notes. See FN 8.</i>	<i>\$507,185</i>	<i>\$970,492</i>
Total Notes Payable	\$2,292,115	\$4,093,204
Less current maturities	(\$1,023,588)	(\$2,384,979)
Total long-term debt, net of current maturities	<u>\$1,268,527</u>	<u>\$1,708,225</u>

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

7. Notes Payable and Long-Term Debt, continued

At September 30, 2025 future minimum principal payments remaining on notes payable and notes payable, related party, are as follows:

<u>Year</u>	
2025	1,023,588
2026	83,695
2027	52,331
2028	55,213
2029	56,893
2030	<u>1,020,395</u>
	<u>\$ 2,292,115</u>

The Company's weighted average interest rate on outstanding debt obligations, for the periods ended September 30, 2025 and December 31, 2024 was 2.74% and 2.36%, respectively.

8. Convertible Notes

In 2024, the Company entered into five Convertible Notes ("Notes") totaling \$950,000 for the purpose of raising capital issued to three related parties and two to non-related parties and are expected to mature on various dates in 2029.

At any time prior to the maturity date, at which the outstanding principal on the Notes plus the accrued interest is paid in full, at the option of the holders, the Notes may be converted into the number of shares of Series E Preferred Stock equal to the quotient obtained by dividing the principal plus any accrued interest by the conversion price of \$800 per share. Any amount not so converted shall continue to be due and payable on the terms of the Notes.

If the Company fails to pay the outstanding principal plus the accrued interest at the time the Notes are due, dissolves or wind-up operations prior to maturity date, the Notes holders will be paid back the total outstanding balance amount, including principal and accrued interest, prior to the distribution of assets to Common Stock investors and concurrent with payments for Convertible Securities and Preferred Stock.

The two Notes issued to non-related party holders total \$409,468 and bear annual compounding fixed interest rate of 4.25%. At September 30, 2025, a Note valued at \$204,189 and its accumulated interest of \$4,127 was converted to stock. At September 30, 2025, the total outstanding balance on these notes was \$204,984 which includes accrued interest of \$6,516.

The three Notes issued to related party holders total \$558,489 and two of the Notes bear annual compounded fixed interest rate of 4.25% and the other Note bears a simple fixed interest rate of 3.70%.

At June 30, 2025, a Note valued at \$256,288 and its accumulated interest of \$5,401, was converted to stock. The total outstanding balance on the remaining notes was \$312,018 which includes accrued interest of \$9,817.

9. 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 September 30, 2025 and December 31, 2024, the total stock options granted, including the approved shares for active board of directors, totaled 23,000 and 29,600, respectively.

During the periods ended September 30, 2025 and December 31, 2024, stock options cancelled, totaling 0 and 36,000, respectively.

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

9. Stock Incentive Plan, continued

During the periods ended September 30, 2025 and December 31, 2024, stock options exercised, totaling 138,000 and 0, respectively. The following table summarizes certain information relative to stock options issued pursuant to the Plan:

2016 Stock Incentive Plan		
		Weighted Average Exercise
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	29,600	\$ 8.00
Forfeited/cancelled	(36,000)	\$ 8.00
Outstanding, December 31, 2024	<u>232,600</u>	<u>\$ 8.00</u>
Granted	22,000	<u>8.00</u>
Granted	1,000	<u>8.32</u>
Forfeited/cancelled/exercised	(138,000)	<u>8.00</u>
Outstanding, September 30, 2025	<u>115,600</u>	<u>\$ 8.00</u>
Outstanding, September 30, 2025	<u>1,000</u>	<u>\$ 8.32</u>
Exercisable, September 30, 2025	<u>65,000</u>	<u>\$ 8.00</u>

The weighted-average remaining life and weighted-average fair value of outstanding options at September 30, 2025 were 7.23 years and \$4.15. At September 30, 2025, information relating to such options follows:

<u>Exercise Price</u>	<u>Stock Options Outstanding</u>	<u>Stock Options Exercisable</u>	<u>Weighted Average Remaining Contract Life</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Exercise Price of Options Exercisable</u>
\$8.00	115,600	65,000	7.37 years	\$8.0	\$8.0
8.32	1,000	1,000	9.93 years	\$8.32	\$8.32

During the periods ended September 30, 2025 and December 31, 2024, the Company granted 22,000 and 29,600 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 \$92,130 and \$93,428 for the periods ended September 30, 2025 and December 31, 2024, respectively. For stock options granted in 2025 and 2024, the following assumptions were used:

	<u>Sep 30, 2025</u>	<u>Dec 31, 2024</u>
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 September 30, 2025, there was \$103,489 of unrecognized expense remaining related to non-vested stock-based compensation arrangements.

10. Milestone Revenue Contracts

On June 2023, the Company entered into a contract with an educational association in Costa Rica to execute a project in which the Company will, through an internship-like program, provide integrated training on green hydrogen technologies to students for a total of \$225,134 covering July 2023 through May 2026. The program consists of groups of students who will be trained on green hydrogen technology on a semester by semester basis. The first semester of the program started on July 2023 and the program is set to conclude at the end of the last semester ending May 2026. Due to the nature of this contract, the revenue is considered to be earned as an over-time contract. During the years ended December 31, 2024 and 2023, the company earned and recorded over-time revenue of \$36,809 and \$108,791, respectively. As of September 30, 2025, \$220,000 has been invoiced and \$5,134 remains to be collected in contingent milestone payments under the contract.

On February 2025, the Company entered into a further contract with the educational association in Costa Rica to execute a project in which the Company will, through an internship-like program, provide integrated training on green hydrogen technologies to students for a total of \$22,514 covering February 2025 through June 2025, as part of the Hydrogen School program. Due to the nature of this contract, the revenue is considered to be earned as an over-time contract. As of September 30, 2025, \$22,514 has been invoiced and contract has been closed.

In September 2025, the Company entered into a contract with an educational association in Costa Rica to execute a project in which the Company will, through an internship-like program, provide integrated training on green hydrogen technologies to students for a total of \$110,363 covering September 2025 through December 2026. The program enables five students to be trained on green hydrogen technology between the months of September 2025 and December 2026, as part of the Hydrogen School program. Due to the nature of this contract, the revenue is considered to be earned as an over-time contract. As of September 30, 2025, \$30,000 has been invoiced and \$80,363 remains to be collected in contingent milestone payments under the contract.

On July 2024, the Company entered into a contract with ProNova Energy Holdings LLC, a wholly owned company of ProNova Energy Developers, LLC., to provide research and development consulting services on the hydrogen plant project with a contract value of \$240,000 and completed on February 13, 2025. The contract is divided into various phases from contract inception through conclusion. This project has been determined by the Company to be a milestone arrangement. During the year ended December 31, 2024, the Company earned and recorded \$210,000 in research and development consulting services income. As of March 31, 2025, an additional payment of \$30,000 was collected and the project closed.

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 March 31, 2025, the project was successfully completed and the remaining balance \$21,019 was invoiced and recognized as revenue.

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 September 30, 2025, \$741,468 was collected and recognized as revenue; \$108,502 remains to be collected in contingent milestone payments under the contract.

On September 30, 2025, the Company entered into a contract with NASA (NASA 2022 SBIR-Ph2 SEQUENTIAL) to provide research and development services with a contract value of \$3,999,650 with completion date of September 29, 2027. The contract was divided into 6 phases and was determined by the Company to be a milestone arrangement.

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11. Related Party Transactions

During the periods ended September 30, 2025 and December 31, 2024, the Company has several, uncollateralized, outstanding notes payable totaling \$948,560 and \$2,232,775, respectively, from officers and employees of the Company bearing interest ranging from 0.0% to 5.0% and due upon demand. The reduction of the debt was a result of conversion to stock.

On June 17, 2022, the Company issued a note payable of \$50,000 to a director of the Company. The note payable bears 2.91% interest. As of June 30, 2025, the note was converted to stock, along with its accrued interest totaling \$54,365.

In 2024, the Company issued convertible notes to three directors of the Company. Two convertible notes bear a fixed compounded interest of 4.25% and one convertible note bears fixed interest of 3.70%. All accrued interest and principal are due on various dates in 2029. As of June 30, 2025, one of the notes for the value of \$ 256,287 with its accrued interest of \$5,401, was converted to Preferred Stock. As of September 30, 2025, the balance on the convertible notes issued was \$312,008, including \$9,807 in accrued interest.

12. 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, 2023 and 2024, 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, 2023 and 2024:

	2024	2023
Deferred tax assets (liabilities):		
Net operating loss carryforwards	8,113,644	7,725,960
Non-deductible accruals	116,954	205,009
Basis difference in property and equipment	<u>-245,611</u>	<u>-270,068</u>
Total deferred tax assets, net	<u>7,984,987</u>	<u>7,660,901</u>
Valuation allowance	<u>7,984,987</u>	<u>7,660,901</u>
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, 2023 and 2024 is as follows:

	2024		2023	
	Amount	Percent	Amount	Percent
federal statutory rate	\$(305,778)	(21.0)%	\$(135,652)	(21.0)%
Change in valuation allowance	324,086	22.2	128,988	19.99
Stock-based compensation	(5,053)	(.03)	(145,644)	(22.)
Tax accrual to return adjustments	(13,255)	<u>(0.9)</u>	152,308	23.6
	<u>\$ -</u>		<u>\$ -</u>	- %

As of December 31, 2024, for U.S. federal income tax reporting purposes, the Company had approximately \$38,636,402 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 2024 totaling approximately \$10,719,993 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.

13. Stockholders' Equity / Deficit

13.1 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 September 30, 2025 and December 31, 2024, the Company had 21,159,963 and 21,021,963 shares of Common Stock issued and outstanding, respectively. 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 period ended December 31, 2024.

At May 7, 2025, the Company issued 137,000 shares of Common Stock to an officer of the Company through a stock option exercise via debt conversion.

At May 21, 2025, the Company issued 1,000 shares of Common Stock to an employee through exercise of stock options.

13.2 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 September 30, 2025 and December 31, 2024, the Company authorized Series A, C, D, E and F Preferred Stock issuances as discussed below.

13.3 Series A Preferred Stock

At both September 30, 2025, and December 31, 2024, the Company had 2,200 shares authorized and 369 shares issued and outstanding of \$0.01 par value Series A Preferred Stock ("Series A"). Series A has a liquidation preference equal to the original purchase price and does not pay a mandatory dividend. Series A is convertible into Common Stock any time at the option of the holder at a price determined by dividing the Series A original issue price by the Series A conversion price in effect at the time of conversion. The Series A conversion price is equal to the original issue price per share divided by 3,000.

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

During the periods ended September 30, 2025 and December 31, 2024, the Company did not issue any shares of Series A Preferred Stock.

At September 30, 2025 and December 31, 2024, there were no accumulated, undeclared dividends.

13.4 Series C Preferred Stock

At September 30, 2025 and December 31, 2024, 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 becomes 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 September 30, 2025 and December 31, 2024, the Company did not issue any shares of Series C Preferred Stock.

At September 30, 2025 and December 31, 2024, there were no accumulated and undeclared dividends.

13.5 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 September 30, 2025 and December 31, 2024, there were no accumulated and undeclared dividends.

At September 30, 2025 and December 31, 2024, 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 September 30, 2025 and December 31, 2024, the Company did not issue any Series D Preferred Stock.

13.6 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 September 30, 2025, the Company had 10,000 Series E shares authorized and 8,560 shares issued and outstanding.

At December 31, 2024, the Company had 10,000 Series E shares authorized and 7,908 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.

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13.6 Series E Preferred Stock, continued

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 period ended September 30, 2025, the Company sold 10 shares of series E Preferred shares at the price of \$832 per share.

During the period ended September 30, 2025, the Company converted a note and its accumulated interest into 250 shares of Series E Preferred Stock at \$832 per share.

During the period ended June 30, 2025, the Company converted 2 promissory convertible notes from a director into 65 shares of Series E Preferred Stock at \$832 (new price) per share and 327 shares at \$800 (note price) per share, totaling \$316,053 in debt forgiveness.

During the year ended December 31 2024, the Company converted a liability payable to a vendor into 1,246 shares of Series E Preferred Stock at \$800 per share totaling \$996,788 in debt forgiveness. The Company recorded no issuance costs related to this sale.

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.

13.7 Series F Preferred Stock

On May 30, 2025, the Company's Board of Directors approved a Unanimous Written Consent resolution authorizing the creation of 16,338 shares of \$0.01 par value Series F Preferred Stock ("Series F"). Effective May 30, 2025, the Company registered with the State of Delaware the Certificate of Designations creating the Series F Preferred Stock.

At June 30, 2025, the Company sold 9,616 shares of Series F Preferred Stock purchased for \$831.95 per share for cash totaling \$8,000,000.

14. Leases

Operating Lease

A new lease agreement was executed by the Company on March 1, 2025, with the leasing entity that held the current lease. This agreement has a total value of \$1,800,000 and covers for a period of 60 months, concluding on February 28, 2030

The following represents information regarding the operating lease where the Company is the lessee at September 30, 2025:

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

14. Leases, continued

<u>Assets Category</u>	<u>ROU Assets Carrying Value</u>	<u>Lease Liabilities Carrying Value</u>	<u>Remaining Term</u>	<u>Weighted-Ave. Discount Rate</u>
Office space lease	\$ 1,590,000	\$ 1,625,735	4.25 years	3.55%

Total operating lease expense for periods ended September 30, 2025 and December 31, 2024 is shown below:

	<u>September 30, 2025</u>	<u>Dec 31, 2024</u>
Long-term operating lease:		
Fixed lease expense:		
Non-cash lease expense (amortization of ROU assets)	\$ 174,265	\$ 191,353
Related accretion expense on lease liability balance	<u>35,735</u>	<u>9,082</u>
Total deferred tax assets, net	\$ 210,000	\$ 200,435

Cash paid for operating lease liabilities recorded on the consolidated balance sheet included \$210,00 and \$200,435 related to lease liability reductions and \$35,735 and \$9,082 related to the imputed interest recorded as lease expense for the periods ended September 30, 2025 and December 31, 2024, respectively.

The future annual lease obligations at September 30, 2025 are as follows:

<u>Period Ending September 30, 2025</u>	
2025	104,204
2026	410,011
2027	398,826
2028	387,236
2029	375,230
2030	<u>61,341</u>
Total undiscounted lease obligations	1,736,848
Less imputed interest	<u>(146,848)</u>
Net lease obligations	<u>\$1,590,000</u>

15. 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 September 30, 2025 and December 31, 2024, 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.

16. Joint Venture

On February 1, 2024, the Company's Costa Rican Subsidiary, The Pearl Trading Group Corp (Mesoamerica) and Cavendish S.A. entered into a joint venture and formed ProNova Energy Developers LLC (ProNova), a Delaware limited liability company with equal member ownership of 33.33%. In addition, on February 1, 2024, ProNova Energy Developers LLC formed and is the sole member of ProNova Energy Holdings LLC, a Delaware limited liability company. In 2024, ProNova Energy Holdings LLC initiated the project of building a plant in Costa Rica, to be used for producing and storing hydrogen that will fuel certain busses and trucks primarily in the Latin American region. At September 30, 2025, ProNova had a deficit of \$248,958 which exceeds the Company's initial capital contribution and based on the terms of the Joint

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16. Joint Venture, continued

Venture agreement, members have no material obligation to cover the joint venture's deficit or liabilities with additional capital contributions, as such, no liability was recorded and the carrying value of the Joint Venture investment was \$0 as of September 30, 2025.

The following table represents the assets and liabilities and its operational results for ProNova as of September 30, 2025 and for the year ended December 31, 2024.

	Sep 30, 2025	2024
Assets:		
Cash	\$ 928	<u>\$ 28,981</u>
Total assets	\$ 928	<u>\$ 28,981</u>
Liabilities:		
Accounts payable	\$ 2,686	<u>\$ 399</u>
Long term debt	<u>\$ 251,773</u>	<u>\$ 245,701</u>
Total liabilities	<u>\$ 254,459</u>	<u>\$ 246,100</u>
Net deficit	<u>\$ (253,531)</u>	<u>\$ (217,119)</u>
Total deficit	<u>\$ (253,531)</u>	<u>\$ (217,119)</u>
Expenses:		
Administrative expense	\$ 444	<u>\$ 1,418</u>
Interest expense	<u>\$ 7,044</u>	<u>\$ 5,701</u>
Consulting expense, related party	<u>\$ 30,000</u>	<u>\$ 210,000</u>
Net loss	<u>\$ 37,488</u>	<u>\$ 217,119</u>

17. Subsequent Events

Management has evaluated subsequent events through November 21, 2025 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.

In October 2025, the Company entered into a service agreement with a biomedical research foundation in Costa Rica to execute a project in which the Company will provide engineering consulting services related to energy efficiency and related certification schemes, in the period between October 2025 and September 2028. The agreement includes an initial payment of \$4,000 plus additional income proportional to the cost efficiencies Ad Astra's services will produce in the customer's energy bills. Due to the nature of this contract, the revenue is considered to be earned as a time-and-materials contract. As of October 31, 2025, \$4,000 has been invoiced.