AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
For the Years Ended December 31, 2023 and 2022

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES
I. TABLE OF CONTENTS

Ham, Langston & Brezina, L.L.P.
CPAs and Advisors

11550 Fuqua St., Ste. 475
Houston, Texas 77034
281-481-1040 Main
hlb-cpa.com

II. INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
Ad Astra Rocket Company and Subsidiaries:

Opinion

We have audited the consolidated financial statements of Ad Astra Rocket Company and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has suffered recurring losses from operations, has a net stockholder's deficit, and has stated that substantial doubt exists about the company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

II. INDEPENDENT AUDITOR'S REPORT, CONTINUED

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ham, Langston & Brezina, L.L.P.

Houston, Texas
June 6, 2024

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES
III. CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

ASSETS	2023	2022
Current assets:		
Cash and cash equivalents	$ 41,125	$ 329,228
Accounts receivable	1,345	16,468
Prepaid expenses	35,125	14,930
Total current assets	77,595	360,626
Property and equipment, net	1,394,591	1,475,838
Right of use asset, operating lease	542,167	733,520
Other assets, net	12,976	12,976
Total assets	$ 2,027,329	$ 2,582,960

LIABILITIES AND STOCKHOLDERS' DEFICIT	2023	2022
Current liabilities:		
Accounts payable	$ 903,494	$ 1,255,655
Accrued liabilities	303,577	220,126
Interest payable	276,110	241,014
Interest payable to related party	29,205	2,267
Operating lease liability, current portion	209,576	178,576
Notes payable, current portion	483,028	478,028
Notes payable, related party	2,228,275	2,048,275
Total current liabilities	4,433,265	4,423,941
Operating lease liability, net of current portion	396,535	613,372
Notes payable, net of current portion	842,121	884,337
Total liabilities	5,671,921	5,921,650
Commitments and contingencies (Note 16)		
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 and 5,000 shares authorized; 5,637 and 4,345 shares issued and outstanding	56	43
Common stock, $0.01 par value, 75,000,000 shares authorized; 21,021,963 shares issued and outstanding	210,221	210,221
Additional paid-in capital	42,375,810	42,035,765
Accumulated deficit	(46,230,720)	(45,584,760)
Total stockholders' deficit	(3,644,592)	(3,338,690)
Total liabilities and stockholders' deficit	$ 2,027,329	$ 2,582,960

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

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES
IV. CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Research and development income	$ 914,160	$ 154,183
Operating expenses:		
Payroll expense	1,314,475	1,162,556
Professional fees	145,126	425,366
Other general and administrative expenses	1,596,367	1,715,657
Stock compensation forfeitures	(1,580,203)	-
Total operating expenses	1,475,765	3,303,579
Other income (expense):		
Interest expense	(133,288)	(78,377)
Other income, net	48,933	342,854
Total other (expense) income, net	(84,355)	264,477
Net loss before provision for income taxes	(645,960)	(2,884,919)
Provision for income taxes	-	-
Net loss	$ (645,960)	$ (2,884,919)
Basic and diluted loss per share	$ (0.03)	$ (0.14)
Basic and diluted weighted-average common shares outstanding	21,021,963	21,021,963

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

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES
V. CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Preferred Stock								Common Stock		Additional Paid-In Capital	Accumulated Deficit During Development Stage	Total Stockholders' Equity
	Series A		Series C		Series D		Series E						
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2021	369	$ 4	26	$ -	3,736	$ 37	3,750	$ 38	21,021,963	$210,221	$40,677,497	$ (42,699,841)	$ (1,812,044)
Preferred Stock Series E issued for cash	-	-	-	-	-	-	845	8	-	-	675,992	-	676,000
Prefered stock returned	-	-	-	-	-	-	(250)	(3)	-	-	(199,997)	-	(200,000)
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	882,273	-	882,273
Net loss	-	-	-	-	-	-	-	-	-	-	-	(2,884,919)	(2,884,919)
Balance at December 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 Series E issued for cash	-	-	-	-	-	-	624	6	-	-	499,191	-	499,197
Preferred Stock Series E issued for debt 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 loss	-	-	-	-	-	-	-	-	-	-	-	(645,960)	(645,960)
Balance at December 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)

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

AS ASTRA ROCKET COMPANY AND SUBSIDIARIES
VI. CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Net loss	$ (645,960)	$ (2,884,919)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	108,553	111,275
Right of use asset amortization – operating lease	191,353	191,351
Stock based compensation	886,664	882,273
Stock based compensation, forfeitures	(1,580,203)	-
Gain on equipment contribution	-	(190,000)
Changes in operating assets and liabilities:		
Accounts receivable	15,123	83,532
Prepaid expenses	(20,195)	8,743
Accounts payable and accrued liabilities	215,690	433,313
Payments on lease obligation	(185,837)	(178,575)
Interest payable	35,096	20,048
Interest payable, related party	26,938	2,267
Net cash used in operating activities	(927,020)	(1,342,117)
Cash flows from investing activities:		
Purchases of property and equipment	(27,306)	-
Net cash used in investing activities	(27,306)	-
Cash flows from financing activities:		
Proceeds from notes payable	10,259	890,000
Payments on notes payable	(47,475)	(961,839)
Proceeds from notes payable, related party	230,000	1,341,000
Proceeds from issuance of preferred stock	499,197	676,000
Payments on called share of preferred stock	-	(200,000)
Net cash provided by financing activities	691,981	1,566,586
(Decrease) increase in cash and cash equivalents	(262,345)	224,469
Cash and cash equivalents, beginning of year	329,228	104,759
Cash and cash equivalents, end of year	$ 41,125	$ 329,228
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 133,288	$ 78,377
Non-cash investing and financing activities:		
Liability extinguished through equity conversion	$ 484,400	$ -
SAFE contract liability conversion to preferred stock	$ 50,000	$ -

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

1. Organization and Nature of Operations

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

2.4 Cash and Cash Equivalents

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

2.5 Accounts Receivable and 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 credit losses reflects management's best estimate of probable losses inherent in the accounts receivable balance. The Company determines the credit losses based on known troubled accounts, historical experience, and other currently available evidence. At December 31, 2023 and 2022, there were no credit losses recorded as management believes all accounts are collectible. During both years ended December 31, 2023 and 2022, no credit losses expense was recognized in the Company's consolidated statement of operations.

2.6 Property and Equipment

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

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

2. Summary of Significant Accounting Policies, continued

2.6 Property and Equipment, continued

Leasehold improvements are amortized on a straight-line basis based on the shorter of the corresponding lease term or useful life. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the 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 years ended December 31, 2023 and 2022, the Company did not record any impairment expense related to long-lived assets.

2.8 Income Taxes

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

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

The Company did not recognize any interest or penalties related to any unrecognized tax position during the years ended December 31, 2023 and 2022.

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

2.9 Stock-Based Compensation

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

Stock based compensation expense recognized under ASC Topic 718-10 was $886,665 and $882,273 for the years ended December 31, 2023 and 2022, 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 hydrogen transport technologies. These long-term contracts include multiple distinct performance obligations which are segregated into milestone phases and are typically satisfied upon the successful inspection and acceptance of the reported results by the customer. At the inception of an arrangement that includes milestone payments, the Company evaluates whether each milestone is substantive and the risk to both parties on the basis of the contingent nature of the milestone (an output method.) This evaluation includes an assessment of whether: (i) the consideration is commensurate with the Company’s performance to achieve the milestone, (ii) the consideration relates solely to past performance, and (iii) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. The Company evaluates factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone and the level of effort and investment required to achieve the respective milestone in making the assessment.

2. Summary of Significant Accounting Policies, continued

2.10 Revenue and Cost Recognition

2.10.1 *Research, Design and Development Income*

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 years ended December 31, 2023 and 2022, 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 $724,502 and $110,668, 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.

Income from time-and-materials research, design and development contracts is recognized over time as the service is provided and are generally billed on a monthly basis. During the years ended December 31, 2023 and 2022, the Company recorded $189,658 and $43,515, 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 and are recognized in the period in which the revisions are determined.

2.10.2 *Research, Design and Development Expenses*

Research and development projects and costs are expensed as incurred. These costs consist of direct costs associated with the design of new products. Research and development expenses incurred during the years ended December 31, 2023 and 2022 were $605,389 and $530,014, respectively, and were included as a component of other general and administrative expenses in the consolidated statements of operations.

2.11 Fair Value of Financial Instruments

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

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

2.12 Concentrations of Credit Risk

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

2.13 Loss Per Share

Basic loss per share is calculated based on the weighted average number of common shares outstanding during each period. Diluted loss per share considers shares issuable upon exercise of outstanding vested stock options or convertible preferred stock. At December 31, 2023 and 2022, stock options and convertible preferred stock with equivalent shares of common stock, as presented in the table below, have been excluded from the computation of diluted earnings per share because the Company is in a net loss position and their effect would be anti-dilutive.

2. Summary of Significant Accounting Policies, continued

2.13 Loss Per Share, continued

	Common Stock Equivalents	
	2023	**2022**
Stock options	239,000	1,136,937
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	563,700	434,500
Total	2,361,300	3,130,037

2.14 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. The Company's leases also contain certain variable lease expense for common area maintenance which are variable on a month to month basis expense as incurred.

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 years ended December 31, 2023 and 2022, the Company had net losses of $645,960 an $2,884,919, respectively. The Company has a working capital deficiency of $4,355,670 and $4,063,315 and, at December 31, 2023, and 2022, respectively. The Company has financed its operations using sales of its common stock and preferred stock, the issuance of convertible debentures to a related party, and other traditional debt financing. These factors raise a substantial doubt about the Company's ability to continue as a going concern.

The Company has received contracts from government entities and others that contribute to the Company's strategic initiatives, as described in the Revenue and Cost Recognition section of Note 2 Summary of Significant Accounting Policies of this report. These have resulted in sources of income from research, design and development contracts related to technologies derived from the 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 years ended December 31, 2023 and 2022, the Company recorded research, design and development income on the statements of operations of $914,160 and $154,183, respectively, related to hydrogen transport systems or other complimentary 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 entities in the upcoming year or additional projects using the Company's knowledge of hydrogen transport systems.

3. Going Concern, continued

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

4. Accounts Receivable

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

5. Other Assets, net

Other assets comprise of deposits of $12,976 for both years ended December 31, 2023 and 2022.

6. Property and Equipment

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

	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
	8,461,714	27,306	-	8,489,020
Less accumulated depreciation	(6,985,876)	(108,553)	-	(7,094,429)
Net property and equipment	$ 1,475,838	$ (81,247)	$ -	$ 1,394,591

	December 31, 2022			
Description	**2021**	**Additions/ Transfers in**	**Retirements/ Transfers out**	**2022**
Computer and software	$ 671,853	$ -	$ -	$ 671,853
Laboratory equipment	4,143,710	-	-	4,143,710
Machine shop equipment	102,396	-	-	102,396
Leasehold improvements	1,594,129	-		1,594,129
Renewable energy equipment	614,398	190,000	-	804,398
Land and building	1,000,000	-	-	1,000,000
Other	145,228	-	-	145,228
	8,271,714			8,461,714
Less accumulated depreciation	(6,874,601)	(111,275)	-	(6,985,876)
Net property and equipment	$ 1,397,113	$ 78,725	$ -	$ 1,475,838

6. Property and Equipment, continued

Depreciation and amortization expense of $108,553 and $111,275 was recognized during the years ended December 31, 2023 and 2022, respectively.

7. Accrued Liabilities

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

	2023	2022
Deferred salaries	$ 28,849	$ 28,849
Other wages payable	3,034	1,652
Payroll taxes and benefits	101,915	39,625
Accrued liabilities, other	19,779	-
Legal contingency	150,000	150,000
	$ 303,577	$ 220,126

8. Notes Payable and Long-Term Debt

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

	2023	2022
Demand note payable to an officer of the Company. The notes bear interest annually ranging from 0.22% to 3.25%, is uncollateralized and the principal balance is due on demand.	$ 2,178,275	$ 1,948,275
Demand note payable to a director of the Company. The note bears no interest, uncollateralized and the principal balance is due on demand.	50,000	50,000
Demand note payable to an individual. The note bear interest of 9%, is uncollateralized and the principal balance is due on demand.	5,000	-
SAFE agreement entered into on May 27, 2022 when cash from an officer of the Company was received for future shares at a discount of 15% and classified as a financial instrument. On September 2023, the note was converted into preferred stock series E as a form of debt conversion. See Note 9.	-	50,000
Note payable to a vendor, owned by a former member of the Company's board of directors, bearing interest at the current "prime" interest rate (8.5% at December 31, 2023) to mature on December 31, 2025. Accrued interest on this note at December 31, 2023 is $276,110 and the note is uncollateralized.	408,000	408,000
Note payable to a solar panel equipment manufacturer, bearing interest at a fixed rate of 9.50% per year, with monthly principal and interest payments of $2,588 due through April 2026. The loan is collateralized with the purchased equipment. The Company has the option to opt out of the purchase agreement with no penalties or fees if proper four-month notice is given to the equipment manufacturer. As of December 31, 2023 the Company does not anticipate opting out of the purchase agreement.	83,459	92,051

8. Notes Payable and Long-Term Debt, continued

Note payable to a bank, bearing interest at a variable rate, currently 3.00% per year as of December 31, 2023, which can be adjusted quarterly, and due in total monthly payments of $6,165, including interest, through July 2037. The note payable is collateralized by the land and building in Costa Rica.	828,690	862,314
	3,553,424	3,410,640
Less current maturities	(2,711,303)	(2,526,303)
Total long-term debt, net of current maturities	$ 842,121	$ 884,337

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

Year	
2024	2,711,303
2025	83,220
2026	80,756
2027	53,584
2028	55,214
2029 and after	569,347
	$ 3,553,424

The Company's weighted average interest rate on outstanding debt obligations, for the years ended December 31, 2023 and 2022 was 3.19% and 2.44%, respectively.

9. SAFE Agreement

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

Conversion or cash-out events: In the event of an equity financing in which the Company issues and sells Preferred Stock for the purpose of raising capital and upon approval by the Company's Board of Directors, the SAFE will convert into a series of Preferred Stock of the Company. The SAFE will convert into a number of 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%. During the year ended

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.

During the year ended December 31, 2023, there was an equity financing event in which the Company issued 624 preferred stock series E for the purpose of raising $499,197 in capital. Pursuant to the SAFE agreement, this event triggered the automatic conversion of the $50,000 for 73 preferred stock series E at a 15% discounted price of $680 per share.

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 interest in the Company. The Company grants stock options to acquire 3,000 shares for each active board member for each year approved for members of the Board. During the years ended December 31, 2023 and 2022, the total stock options granted, including the approved shares for active board of directors, total 31,000 and 942,937, respectively.

During the years ended December 31, 2023 and 2022, the total stock options cancelled/forfeited, total 928,937 and 2,000, respectively.

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

	2016 Stock Incentive Plan	
	Shares	Weighted Average Exercise Price
Outstanding, December 31, 2021	196,000	$ 8.00
Granted	942,937	$ 8.00
Forfeited/cancelled	(2,000)	$ 0.00
Outstanding, December 31, 2022	1,136,937	$ 8.00
Granted	31,000	$ 8.00
Forfeited/cancelled	(928,937)	$ 0.00
Outstanding, December 31, 2023	239,000	$ 8.00
Exercisable, December 31, 2023	208,000	$ 8.00

The weighted-average remaining life and weighted-average fair value of outstanding options at December 31, 2023 were 8.7 years and $4.32. At December 31, 2023, information relating to such options follows:

Exercise Price	Stock Options Outstanding	Stock Options Exercisable	Weighted Average Remaining Contract Life	Weighted Average Exercise Price	Weighted Average Exercise Price of Options Exercisable
$8.00	239,000	208,000	8.7 years	$8.00	$8.00
	239,000	208,000			

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 $886,661 and $882,273 for the years ended December 31, 2023 and 2022, respectively. In addition, $1,580,203 in forfeitures of stock compensation was recognized in 2023. For stock options granted in 2023 and 2022, the following assumptions were used:

	2023	2022
Dividend Yield	0%	0%
Expected Volatility	26%	37%
Weighted Average Risk-Free Interest Rates	5.4%	4.3%
Expected Life in Years	10	10

As of December 31, 2023, there was $110,379 of unrecognized expense remaining related to non-vested stock based compensation arrangements.

11. Milestone Revenue Contracts

On February 12, 2021, the Company engaged with a Costa Rican company to perform the conceptual design of a renewable energy system for an educational campus in Costa Rica. The contract period is from February 12, 2021 to March 19, 2022, and revenue to be collected is $13,000 should all milestones are met. The contract outlines a milestone schedule resulting in contingent payments of $5,200 and $7,800 per achieved milestone. The project contract has been amended and extended the deadline extended to May 15, 2022. The company reviewed various factors, including the contingent nature of the payments for past performance metrics outlined in the arrangement concluding that the milestones are substantive. These projects have been recorded as research, design, and development income upon the completion of the milestone criteria and receipt of payment on the statement of operations. During the year ended December 31, 2022, $5,200 was recorded in revenue.

The Company received a contract from a Costa Rican entity that contained milestone payments for consultancy services regarding the potential for development of green hydrogen and derivative green products in Costa Rica. The contract was effective for the period from October 20, 2021 to November 29, 2021 and totaled $12,816 if all milestones were met. The contract outlined a milestone schedule of 6 weeks resulting in contingent payments of $5,526 to $8,290 per achieved milestone. The milestone criteria required the Company to analyze the supply of renewable energy in Costa Rica, the availability of stationary CO_2 emissions at industrial sites, and then write a report discussing the implications of these findings relative to the potential production of green hydrogen and derivative products. The contract was determined by the Company to be a milestone arrangement. The Company reviewed various factors, including the contingent nature of the payments for past performance metrics outlined in the arrangement and noted all appeared reasonable based on the estimated expenditures required to complete each milestone, concluding that the milestones are substantive. These projects have been recorded as research, design and development income upon the completion of the milestone criteria and receipt of payment on the statement of operations. During the year ended December 31, 2022, $5,526 was recorded as research and development income.

On July 25, 2022, the Company entered into a contract with NASA to provide research and development services with a contract value of $150,000 divided into three phases with the last phase expected to conclude on January 25, 2023. During the year ended December 31, 2022, the Company recorded and recognized as revenue a total of $100,000. During the year ended December 31, 2023, the contract concluded and $50,000 were recorded as research and development income.

On July 2023, the Company entered into a contract with NASA to provide research and development services with a contract value of $848,798 and a completion date November 19, 2024. The contract is divided into various milestones from contract inception through conclusion. This project has been determined by the Company to be a milestone arrangement. During the year ended December 31, 2023, the Company earned and recorded $575,470 as research and development income. As of December 31, 2023, a total of $273,328 remains to be earned and is expected to be collected in 2024.

On July 2023, the Company entered into a contract with NASA to provide research and development services with a contract value of $149,000 and a completion date January 31, 2024. The contract is divided into various three 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, 2023, the Company earned and recorded $99,032 in research and development income. As of December 31, 2023, a total of $49,519 remains to be earned and is expected to be collected in 2024.

On June 30,2023, the Company entered into a service agreement 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 year ended December 31, 2023, the company earned and recorded $102,500 in revenue.

12. Related Party Transactions

During the years ended December 31, 2023 and 2022, the Company has two, uncollateralized, outstanding notes payable totaling $ 2,178,275 and $1,948,275, respectively, from an officer of the Company bearing interest ranging from 0.25% to 3% and due upon demand.

12. Related Party Transactions, continued

On June 17, 2022, the Company issued a note payable of $50,000 to a director of the Company. The note payable bears no interest with a due date June 17, 2023. As of December 31, 2023, this note uncollateralized, outstanding and payable on 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, 2023 and 2022, 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 2022:

	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	(286,503)
Total deferred tax assets, net	7660,901	7,531.913
Valuation allowance	(7,660,901)	(7,531,913)
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 2022 is as follows:

	2023		2022	
	Amount	Percent	Amount	Percent
Benefit for income tax at federal statutory rate	$ (135,652)	(21.0)%	$ (605,833)	(21.0)%
Change in valuation allowance	128,988	19.9	811,709	28.1
Stock-based compensation	(145,644)	(22,5)	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 has approximately $36,790,000 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 2023 totaling approximately $8,874,000 do not expire. Because tax laws limit the use of NOLs to future periods in which the Company generates taxable income, the Company may be unable to take full advantage of its NOLs for federal income tax purposes. Further, the benefit from utilization of NOL carry-forwards could be subject to limitations due to material ownership changes that may or may not occur in the Company.

14. Stockholders' Deficit

14.1 Common Stock

The Company's Certificate of Incorporation authorizes issuance of 75,000,000 shares of $0.01 par value common stock ("Common Stock"). At both December 31, 2023 and 2022, the Company had 21,021,963 shares of Common Stock issued and outstanding. The Company may issue any authorized but unissued shares of Common Stock at prices and other terms as approved by the Company's Board of Directors.

The Company has not entered into any agreements with common stockholders that provide such stockholders with preferential economic rights not available to all holders of such class of Common Stock.

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

The Company is authorized by the Superintendencia General de Valores de Costa Rica ("Sugeval") to undertake Restricted Public Offerings ("RPO") of its Common Stock. These offerings are conducted under Costa Rican law outside of the United States of America. The Company has approved the issuance of up to 1,000,000 shares of Common Stock pursuant to the RPO.

The Company did not sell any Common Stock during the years ended December 31, 2023 and 2022.

14.2 Preferred Stock

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

14.3 Series A Preferred Stock

At December 31, 2023 and 2022, 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 years ended December 31, 2023 and 2022, the Company did not issue any shares of Series A Preferred Stock.

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

14.4 Series C Preferred Stock

At December 31, 2023 and 2022, the Company had 1,000 shares authorized and 26 issued and outstanding, of $0.01 par value Series C Preferred Stock ("Series C"). Series C has a liquidation preference equal to the original purchase price and does not pay a mandatory dividend. The Series C is convertible by the holder into Common Stock within 15 days of notice of redemption from the Company at a price determined by dividing the Series C original issue price by the Series C conversion price in effect at the time of conversion.

14. Stockholders' Deficit, continued

14.4 Series C Preferred Stock, continued

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 its Common Stock pursuant to an effective registration statement under the Securities Act of 1933, as amended.

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

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

14.5 Series D Preferred Stock

At December 31, 2023 and 2022, the Company had 4,000 shares authorized and 3,736 issued and outstanding of $0.01 par value Series D Preferred Stock ("Series D"). Series D has a liquidation preference equal to the original purchase price and does not pay a mandatory dividend. The Series D is convertible by the holder into Common Stock at any time fr3m 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 year ended December 31, 2023, the Company did not issue any Series D Preferred Stock.

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

14.6 Series E Preferred Stock

On June 22, 2020, the Company's Board of Directors approved a Unanimous Written Consent resolution authorizing the creation of 2,964 shares of $0.01 par value Series E Preferred Stock ("Series E"). Effective June 24, 2020, the Company registered with the State of Delaware the Certificate of Designations creating the Series E Preferred Stock. During 2021, the Company's Board of Directors approved and authorized an additional 2,286 of Series E Preferred Stock.

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.

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 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, 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.

14. Stockholders' Deficit, continued

14.6 Series E Preferred Stock, continued

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

The following represents information regarding the operating lease where the Company is the lessee at December 31, 2023:

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

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

	2023	2022
Long-term operating lease:		
Fixed lease expense:		
Non-cash lease expense (amortization of ROU assets)	$ 191,353	$ 191,353
Related accretion expense on lease liability balance	12,616	18,512
Total lease expense	$ 203,969	$ 209,865

Cash paid for operating lease liabilities recorded on the consolidated balance sheet included $185,836 and $178,575 related to lease liability reductions and $12,616 and $18,512 related to the imputed interest recorded as lease expense for the years ended December 31, 2023 and 2022, respectively.

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

Year Ending December 31,	
2024	$ 218,700
2025	218,700
2026	184,629
Total undiscounted lease obligations	622,029
Less imputed interest	(15,918)
Net lease obligations	$ 606,111

During the years ended December 31, 2023 and 2022, the Company did not record any variable or short-term lease expense.

16. Contingencies

From time to time, the Company may be involved in various claims and legal actions arising in the ordinary course of business. Management, along with the assistance of legal counsel, will determine the ultimate disposition and potential impact of these matters on the Company's financial condition, liquidity, or results from operations. As of December 31, 2023 and 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. The joint venture will initially focus on developing green hydrogen solutions for various commercial and industrial applications. The joint venture will focus its development and sales primarily in the Latin American region. As of December 31, 2023, no financial, product development, or sales activity had occurred in the joint venture.

18. Subsequent Events

Management has evaluated subsequent events through June 6, 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 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. As of the date of the audit report, no operations have started.

In April 2024, the Company sold 400 preferred stock series E for $320,000.

In April and May 2024, the company entered into three uncollateralized convertible notes bearing interest of 4.25% which are set to expire in five years. One note was issued to a related party for $250,000 and two notes issued to current investors totaling $400,000.

On May 2024, NASA awarded a contract for $850,000 to be completed in nineteen months effective as of the date on the contract, May 21, 2024.

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.