

# **AD ASTRA ROCKET COMPANY AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT  
For the Years Ended December 31, 2024 and 2023**

# AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

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## **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, 2024 and 2023, 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, 2024 and 2023, 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.

*Han, Lajsta & Bregman LLP*

Houston, Texas  
March 12, 2025

# AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

## III. CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2024 AND 2023

<b>ASSETS</b>	<b>2024</b>	<b>2023</b>
Current assets:		
Cash and cash equivalents	\$ 453,984	\$ 41,125
Accounts receivable	1,210	1,345
Prepaid expenses	39,200	35,125
Total current assets	494,394	77,595
Property and equipment, net	1,302,164	1,394,591
Right of use asset, operating lease	350,814	542,167
Other assets, net	12,976	12,976
Total assets	\$ 2,160,348	\$ 2,027,329
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 502,273	\$ 903,494
Accrued liabilities	398,640	303,577
Interest payable	-	276,110
Interest payable to related party	77,669	29,205
Operating lease liability, current portion	213,377	209,576
Notes payable, current portion	157,204	483,028
Notes payable, related party	2,227,775	2,228,275
Total current liabilities	3,576,938	4,433,265
Operating lease liability, net of current portion	183,116	396,535
Notes payable, net of current portion	1,148,704	842,121
Notes payable, related party, net of current portion	559,521	-
Total liabilities	5,468,279	5,671,921
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 shares authorized; 7,908 and 5,637 shares issued and outstanding	79	56
Common stock, \$0.01 par value, 75,000,000 shares authorized; 21,021,963 shares issued and outstanding	210,221	210,221
Additional paid-in capital	44,168,536	42,375,810
Accumulated deficit	(47,686,808)	(46,230,720)
Total stockholders' deficit	(3,307,931)	(3,644,592)
Total liabilities and stockholders' deficit	\$ 2,160,348	\$ 2,027,329

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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Research and development income	\$ 849,231	\$ 914,160
Operating expenses:		
Payroll	1,365,006	1,314,475
Professional fees	84,496	145,126
Other general and administrative	796,433	1,596,367
Stock compensation forfeitures, net	<u>(24,052)</u>	<u>(1,580,203)</u>
Total operating expenses	2,221,883	1,475,765
Other income (expense):		
Interest expense	(188,999)	(133,288)
Other income, net	<u>105,563</u>	<u>48,933</u>
Total other (expense) income, net	<u>(83,436)</u>	<u>(84,355)</u>
Net loss before provision for income taxes	(1,456,088)	(645,960)
Provision for income taxes	<u>-</u>	<u>-</u>
Net loss	<u>\$ (1,456,088)</u>	<u>\$ (645,960)</u>
Basic and diluted loss per share	<u>\$ (0.07)</u>	<u>\$ (0.03)</u>
Basic and diluted weighted-average common shares outstanding	<u>21,021,963</u>	<u>21,021,963</u>

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, 2024 AND 2023**

	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, 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	6.00	-	-	499,191	-	499,197
Preferred Stock Series E issued for debt conversion	-	-	-	-	-	-	668	7.00	-	-	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)
Preferred Stock Series E issued for cash	-	-	-	-	-	-	1,025	10	-	-	819,990	-	820,000
Preferred Stock Series E issued for debt conversion	-	-	-	-	-	-	1,246	13	-	-	996,788	-	996,801
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	93,428	-	93,428
Stock-based compensation forfeitures	-	-	-	-	-	-	-	-	-	-	(117,480)	-	(117,480)
Net loss	-	-	-	-	-	-	-	-	-	-	-	(1,456,088)	(1,456,088)
Balance at													
December 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)

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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net loss	\$ (1,456,088)	\$ (645,960)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	141,235	108,553
Right of use asset amortization – operating lease	191,353	191,353
Stock based compensation	93,428	886,664
Stock based compensation, forfeitures	(117,480)	(1,580,203)
Gain on extinguishment of a liability	(68,088)	-
Changes in operating assets and liabilities:		
Accounts receivable	135	15,123
Prepaid expenses	(4,075)	(20,195)
Accounts payable and accrued liabilities	10,584	215,690
Payments on lease obligation	(218,700)	(185,837)
Interest payable	88,068	35,096
Interest payable, related party	57,985	26,938
Net cash used in operating activities	<u>(1,281,643)</u>	<u>(952,778)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(52,764)</u>	<u>(27,306)</u>
Net cash used in investing activities	<u>(52,764)</u>	<u>(27,306)</u>
Cash flows from financing activities:		
Proceeds from notes payable	400,000	10,259
Payments on notes payable	(22,234)	(47,475)
Proceeds from notes payable, related party	561,500	230,000
Payments on notes payable, related party	(12,000)	-
Proceeds from issuance of preferred stock	820,000	499,197
Net cash provided by financing activities	<u>1,747,266</u>	<u>691,981</u>
Increase (decrease) in cash and cash equivalents	412,859	(288,103)
Cash and cash equivalents, beginning of year	<u>41,125</u>	<u>329,228</u>
Cash and cash equivalents, end of year	<u>\$ 453,984</u>	<u>\$ 41,125</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 42,946</u>	<u>\$ 133,288</u>
Non-cash investing and financing activities:		
Debt converted to preferred stock	<u>\$ 408,000</u>	<u>\$ 484,400</u>
Accounts payable converted to preferred stock	<u>\$ 279,277</u>	<u>\$ -</u>
Accrued interest converted to preferred stock	<u>\$ 309,524</u>	<u>\$ -</u>
Non-cash interest on convertible notes	<u>\$ 10,993</u>	<u>\$ -</u>
Non-cash interest on convertible notes, related party	<u>\$ 9,521</u>	<u>\$ -</u>
SAFE contract liability conversion to preferred stock	<u>\$ -</u>	<u>\$ 50,000</u>

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



# AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Organization and Nature of Operations

Ad Astra Rocket Company and Subsidiaries (the "Company" or "AARC") was incorporated on January 14, 2005 and officially organized on July 15, 2005 in Houston, Texas. The Company engages in research and development of technology and manufactures prototypes and turn-key products and technological solutions for its customers based on its research and development, including work on advanced plasma technology, the Variable Specific Impulse Magnetoplasma Rocket ("VASIMR<sup>®</sup>") 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 ASEA, 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, 2024 and 2023, there were no credit losses recorded as management believes all accounts are collectible. During both years ended December 31, 2024 and 2023, 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:

	<u>Years</u>
Computers and software	3
Laboratory equipment	5
Machine shop equipment	5
Renewable Energy equipment	10
Building	15

# AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 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 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 years ended December 31, 2024 and 2023, 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 years ended December 31, 2024 and 2023.

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

#### 2.10 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 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 \$93,428 and \$886,665 for the years ended December 31, 2024 and 2023, respectively, which consists of stock-based compensation expense related to employee and director stock option issuances. During the years ended December 31, 2024 and 2023, there was a total of \$117,480 and \$1,580,203, respectively, in stock based compensation recovery from forfeitures.

# AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 2. Summary of Significant Accounting Policies, continued

#### 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 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.

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, 2024 and 2023, the Company was party to various milestone revenue contracts as discussed in Note 11 of these financial statements, and recorded point in time revenue of \$774,564 and \$724,502, respectively.

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

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, 2024 and 2023, the Company recorded \$74,667 and \$189,658, 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.

##### 2.11.2 *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 years ended December 31, 2024 and 2023 were \$649,751 and \$605,389, respectively, and were included as a component of other general and administrative expenses in the consolidated statements of operations.

#### 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 the book value. When the 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 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.

# AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 2. Summary of Significant Accounting Policies, continued

#### 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 December 31, 2024 and 2023, stock options and convertible preferred stock with equivalent shares of common stock, as presented in the table below, have been excluded from the computation of diluted earnings per share because the Company is in a net loss position and their effect would be anti-dilutive.

	<u>Common Stock Equivalents</u>	
	<u>2024</u>	<u>2023</u>
Stock options	232,600	239,000
Preferred stock - Series A	1,107,000	1,107,000
Preferred stock - Series C	78,000	78,000
Preferred stock - Series D	373,600	373,600
Preferred stock - Series E	<u>790,800</u>	<u>563,700</u>
Total	<u>2,582,000</u>	<u>2,361,300</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. 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, 2024 and 2023, the Company had net losses of \$1,456,087 and \$645,960, respectively. The Company has a working capital deficiency of \$3,082,544 and \$4,355,670 and, at December 31, 2024, and 2023, respectively. The Company has financed its operations using sales of its common stock and preferred stock, the issuance of convertible debentures to a related party, and other traditional debt financing. These factors raise a material uncertainty that causes 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.

# AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 3. Going Concern, continued

For the years ended December 31, 2024 and 2023, the Company recorded research, design and development income on the statements of operations of \$849,231 and \$914,160, 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.

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, 2024 and 2023 was \$1,210 and \$1,345, 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 December 31, 2024 and 2023, and related activity for the years then ended, were as follows:

<b>December 31, 2024</b>				
<u>Description</u>	<u>2023</u>	<u>Additions/ Transfers in</u>	<u>Retirements/ Transfers out</u>	<u>2024</u>
Computer and software	\$ 676,111	\$ 8,644	\$ -	\$ 684,755
Laboratory equipment	4,159,867	44,113	-	4,203,980
Machine shop equipment	102,396	-	-	102,396
Leasehold improvements	1,594,129	7	-	1,594,136
Renewable energy equipment	811,288	-	3,955	807,333
Land and building	1,000,000	-	-	1,000,000
Other	145,228	-	-	145,228
	8,489,020	52,764	3,955	8,537,828
Less accumulated depreciation	(7,094,429)	(141,235)	-	(7,235,664)
Net property and equipment	<u>\$ 1,394,591</u>	<u>\$ (88,472)</u>	<u>\$ 3,955</u>	<u>\$ 1,302,164</u>

<b>December 31, 2023</b>				
<u>Description</u>	<u>2022</u>	<u>Additions/ Transfers in</u>	<u>Retirements/ Transfers out</u>	<u>2023</u>
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	<u>\$ 1,475,838</u>	<u>\$ (81,247)</u>	<u>\$ -</u>	<u>\$ 1,394,591</u>

Depreciation and amortization expense of \$141,235 and \$108,553 was recognized during the years ended December 31, 2024 and 2023, respectively.

# AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 6. Accrued Liabilities

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

	<u>2024</u>	<u>2023</u>
Deferred salaries	\$ 28,849	\$ 28,849
Other wages payable	2,174	3,034
Payroll taxes and benefits	196,223	101,915
Accrued liabilities, other	21,394	19,779
Legal contingency	<u>150,000</u>	<u>150,000</u>
	<u>\$ 398,640</u>	<u>\$ 303,577</u>

### 7. Notes Payable and Long-Term Debt

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

	<u>2024</u>	<u>2023</u>
Demand notes payable to an officer of the Company. The notes bear interest annually ranging from 0.25% to 8.75%, is uncollateralized and the principal balance is due on demand.	\$ 2,177,775	\$ 2,178,275
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	5,000
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 (7.5% at December 31, 2024) to mature on December 31, 2025. In 2024, the principal balance of \$408,000 and the accrued interest of \$309,524 were converted into equity. See note 14.6.	-	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 August 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, 2024 the Company does not anticipate opting out of the purchase agreement.	77,667	83,459
Convertible notes. See FN 8.	970,492	-
Note payable to a bank, bearing interest at a variable rate, currently 3.00% per year as of December 31, 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.	<u>812,270</u>	<u>828,690</u>
	4,093,204	3,553,424
Less current maturities	<u>(2,384,979)</u>	<u>(2,711,303)</u>
Total long-term debt, net of current maturities	<u>\$ 1,708,225</u>	<u>\$ 842,121</u>

# AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 7. Notes Payable and Long-Term Debt, continued

At December 31, 2024, future minimum principal payments remaining on notes payable and notes payable, related party, are as follows:

<u>Year</u>	
2025	2,384,979
2026	71,987
2027	53,584
2028	55,213
2029	56,893
2030 and after	<u>1,470,548</u>
	<u>\$ 4,093,204</u>

The Company's weighted average interest rate on outstanding debt obligations, for the years ended December 31, 2024 and 2023 was 2.36% and 3.19%, 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 \$400,000 and bear annual compounding fixed interest rate of 4.25%. At December 31, 2024, the total outstanding balance on these notes was \$410,971 which includes accrued interest of \$10,971.

The three Notes issued to related party holders total \$550,000 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 December 31, 2024, the total outstanding balance on these notes was \$559,521 which includes accrued interest of \$9,521.

### 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%.

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.

# AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 9. SAFE Agreement, continued

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, 2024 and 2023, the total stock options granted, including the approved shares for active board of directors, total 29,600 and 31,000, respectively.

During the years ended December 31, 2024 and 2023, the total stock options cancelled/forfeited, total 36,000 and 928,937, respectively.

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

<u>2016 Stock Incentive Plan</u>		
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
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
Granted	29,600	\$ 8.00
Forfeited/cancelled	(36,000)	\$ 0.00
Outstanding, December 31, 2024	<u>232,600</u>	<u>\$ 8.00</u>
Exercisable, December 31, 2024	<u>203,000</u>	<u>\$ 8.00</u>

The weighted-average remaining life and weighted-average fair value of outstanding options at December 31, 2024 were 8.2 years and \$4.15. At December 31, 2024, 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	<u>232,600</u>	<u>203,000</u>	8.2 years	\$8.00	\$8.00
	<u>232,600</u>	<u>203,000</u>			

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 \$93,428 and \$886,661 for the years ended December 31, 2024 and 2023, respectively. In addition, forfeitures of stock compensation was \$117,480 and \$1,580,203 for the years ended December 31, 2024 and 2023, respectively.



# AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 10. Stock Incentive Plan, continued

For stock options granted in 2024 and 2023, the following assumptions were used:

	<u>2024</u>	<u>2023</u>
Dividend Yield	0%	0%
Expected Volatility	33%	26%
Weighted Average Risk-Free Interest Rates	4.3%	5.4%
Expected Life in Years	10	10

As of December 31, 2024, there was \$75,315 of unrecognized expense remaining related to non-vested stock based compensation arrangements.

### 11. Milestone Revenue Contracts

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 years ended December 31, 2024 and 2023, the Company earned and recorded research and development income of \$252,309 and \$575,470, respectively. As of December 31, 2024, a total of \$21,019 remains to be earned and is expected to be collected in 2025.

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 phases from contract inception through conclusion. This project has been determined by the Company to be a milestone arrangement. During the years ended December 31, 2024 and 2023, the Company earned and recorded research and development income of \$49,519 and \$99,481, respectively. As of December 31, 2024, the project has been completed and no revenue remains to be earned in 2025.

On June 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 years ended December 31, 2024 and 2023, the company earned and recorded over-time revenue of \$74,667 and \$102,500, respectively.

On May 2024, the Company entered into a contract with NASA to provide research and development services with a contract value of \$849,970 and a completion date December 24, 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 \$262,736 in research and development income. As of December 31, 2024, a total of \$587,234 remains to be earned and is expected to be collected in 2025.

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 a projected completion date 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 December 31, 2024, a total of \$30,000 remains to be earned and is expected to be collected in 2025.

# AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 12. Related Party Transactions

During the years ended December 31, 2024 and 2023, the Company has two, uncollateralized, outstanding notes payable totaling \$2,177,775 and \$2,178,275, respectively, from an officer of the Company bearing interest ranging from 0.25% to 8.75% and due upon demand.

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, 2024, this note is 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.

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 December 31, 2024, the balance on the convertible notes issued was \$559,522, including \$9,522 in accrued interest.

### 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, 2024 and 2023, there were no provisions for income taxes and deferred tax assets have been entirely offset by a valuation allowance, due to the Company's unlikely realization based on its recurring net losses.

Significant components of the Company's deferred tax assets and liabilities were as follows at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
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	<u>\$ -</u>	<u>\$ -</u>

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, 2024 and 2023 is as follows:

	<u>2024</u>		<u>2023</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Benefit for income tax at				
federal statutory rate	\$ (305,778)	(21.0)%	\$ (135,652)	(21.0)%
Change in valuation allowance	324,086	22.2	128,988	19.9
Stock-based compensation	(5,053)	(0.3)	(145,644)	(22.5)
Tax accrual to return adjustments	<u>(13,255)</u>	<u>(0.9)</u>	<u>152,308</u>	<u>23.6</u>
	<u>\$ -</u>	<u>- %</u>	<u>\$ -</u>	<u>- %</u>

## **AD ASTRA ROCKET COMPANY AND SUBSIDIARIES**

### **VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **13. Income Taxes, continued**

At December 31, 2024, for U.S. federal income tax reporting purposes, the Company has 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.

#### **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, 2024 and 2023, the Company had 21,021,963 shares of Common Stock issued and outstanding. The Company may issue any authorized but unissued shares of Common Stock at prices and other terms as approved by the Company's Board of Directors.

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

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

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

The Company did not sell any Common Stock during the years ended December 31, 2024 and 2023.

##### **14.2 Preferred Stock**

The Company's certificate of incorporation authorizes the issuance of 100,000 shares of \$0.01 par value preferred stock in one or any number of series. At December 31, 2024 and 2023, the Company authorized Series A, C, D and E Preferred Stock as discussed below.

##### **14.3 Series A Preferred Stock**

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

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

## **AD ASTRA ROCKET COMPANY AND SUBSIDIARIES**

### **VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **14. Stockholders' Deficit, continued**

##### **14.4 Series C Preferred Stock**

At December 31, 2024 and 2023, the Company had 1,000 shares authorized and 26 issued and outstanding, of \$0.01 par value Series C Preferred Stock ("Series C"). Series C has a liquidation preference equal to the original purchase price and does not pay a mandatory dividend. The Series C is convertible by the holder into Common Stock within 15 days of notice of redemption from the Company at a price determined by dividing the Series C original issue price by the Series C conversion price in effect at the time of conversion.

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

During the years ended December 31, 2024 and 2023, the Company did not issue any shares of Series C Preferred Stock.

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

##### **14.5 Series D Preferred Stock**

At December 31, 2024 and 2023, the Company had 4,000 shares authorized and 3,736 issued and outstanding of \$0.01 par value Series D Preferred Stock ("Series D"). Series D has a liquidation preference equal to the original purchase price and does not pay a mandatory dividend. The Series D is convertible by the holder into Common Stock at any time from the Company at a price determined by dividing the Series D original issue price by the Series D conversion price in effect at the time of conversion.

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

During the year ended December 31, 2024, the Company did not issue any Series D Preferred Stock.

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

##### **14.6 Series E Preferred Stock**

On June 22, 2020, the Company's Board of Directors approved a Unanimous Written Consent resolution authorizing the creation of 2,964 shares of \$0.01 par value Series E Preferred Stock ("Series E"). Effective June 24, 2020, the Company registered with the State of Delaware the Certificate of Designations creating the Series E Preferred Stock. During 2021, the Company's Board of Directors approved and authorized an additional 2,286 of Series E Preferred Stock. During 2023, the Company's Board of Directors approved and authorized an additional 4,750 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, 2024 and 2023, the Company had 10,000 Series E shares authorized. At December 31, 2024 and 2023, the Company had 7,908 and 5,637 issued and outstanding, respectively. 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, 2024, the Company sold 1,025 shares of Series E Preferred Stock at \$800 per share for cash totaling \$819,990 in proceeds. The Company recorded no issuance costs related to this sale.

# AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 14. Stockholders' Deficit, continued

#### 14.6 Series E Preferred Stock, continued

During the year ended December 31, 2024, the Company converted an outstanding balances in accounts payable, a note payable and related accrued interest into 1,246 shares of Series E Preferred Stock for a price of \$800 per share totaling \$996,793 in debt forgiveness. 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.

### 15. Leases

The following represents information regarding the operating lease where the Company is the lessee at December 31, 2024:

<u>Assets Category</u>	<u>ROU Assets Carrying Value</u>	<u>Lease Liabilities Carrying Value</u>	<u>Remaining Term</u>	<u>Weighted-Average Discount Rate</u>
Office space lease	\$ 350,813	\$ 396,493	1.8 years	1.78%

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

	<u>2024</u>	<u>2023</u>
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	9,082	12,616
Total lease expense	<u>\$ 200,435</u>	<u>\$ 203,969</u>

Cash paid for operating lease liabilities recorded on the consolidated balance sheet included \$209,618 and \$185,836 related to lease liability reductions and \$9,082 and \$12,616 related to the imputed interest recorded as lease expense for the years ended December 31, 2024 and 2023, respectively.

The future annual lease obligations at December 31, 2024 are as follows:

<u>Year Ending December 31,</u>	
2025	\$ 218,700
2026	184,629
Total undiscounted lease obligations	403,329
Less imputed interest	(6,836)
Net lease obligations	<u>\$ 396,493</u>

During the years ended December 31, 2024 and 2023, the Company did not record any variable or short-term lease expense.

# AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 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, 2024 and 2023 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 Investment

On February 1, 2024, the Company's Costa Rican Subsidiary, The Pearl Trading Group Corp (Mesoamerica) and Cavandish 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 December 31, 2024, ProNova had a deficit of \$217,119 which exceeds the Company's initial capital contribution and based on the terms of the Joint 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 December 31, 2024.

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

	<u>2024</u>
Assets:	
Cash	\$ 28,981
Total assets	<u>28,981</u>
Liabilities:	
Accounts payable	399
Long term debt	245,701
Total liabilities	<u>\$ 246,100</u>
Net deficit	<u>(217,119)</u>
Total deficit	<u>\$ (217,119)</u>
	<u>2024</u>
Expenses:	
Administrative expense	\$ 1,418
Interest expense	5,701
Consulting expense, related party	210,000
Net loss	<u>\$ 217,119</u>

### 18. Subsequent Events

Management has evaluated subsequent events through March 12, 2025, which is the date the consolidated financial statements were available to be issued, and has determined that on February 25, 2025, the Company renewed the commercial lease effective March 1, 2025 and for sixty months with a maturity date February 28, 2030. No additional significant subsequent events requiring additional disclosure in the notes to the consolidated financial statements.