

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT For the Years Ended December 31, 2025 and 2024

April Brandon

April Brandon, Financial Controller

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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, 2025 and 2024, 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, 2025 and 2024, 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.

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 & Bergman LLP

Houston, Texas
March 26, 2026

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES
III. CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
Current assets:		
Cash and cash equivalents	\$ 5,033,652	\$ 453,984
Accounts receivable	1,394,102	1,210
Prepaid expenses	143,890	39,200
Total current assets	<u>6,571,644</u>	<u>494,394</u>
Property and equipment, net	2,075,595	1,302,164
Deposit for operating lease	30,000	-
Right of use asset, operating lease	1,380,406	350,814
Other assets, net	<u>12,085</u>	<u>12,976</u>
Total assets	<u>\$ 10,069,730</u>	<u>\$ 2,160,348</u>
 <u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current liabilities:		
Accounts payable	\$ 295,451	\$ 502,273
Accrued liabilities	496,710	398,640
Interest payable to related party	107,270	77,669
Operating lease liability, current portion	310,813	213,377
Notes payable, current portion	75,028	157,204
Notes payable, related party	<u>894,560</u>	<u>2,227,775</u>
Total current liabilities	<u>2,179,832</u>	<u>3,576,938</u>
Operating lease liability, net of current portion	1,069,593	183,116
Notes payable, net of current portion	741,458	737,712
Convertible notes	-	410,991
Convertible notes payable, related party	<u>314,957</u>	<u>559,521</u>
Total liabilities	<u>4,305,840</u>	<u>5,468,279</u>
Commitments and contingencies (Note 17)		
Stockholders' equity (deficit):		
Preferred Stock:		
Series A, \$0.01 par value, 2,200 shares authorized; 369 shares issued and outstanding	4	4
Series C, \$0.01 par value, 1,000 shares authorized; 26 shares issued and outstanding	-	-
Series D, \$0.01 par value, 4,000 shares authorized; 3,736 shares issued and outstanding	37	37
Series E, \$0.01 par value, 10,000 shares authorized; 8,826 and 7,908 shares issued and outstanding	88	79
Series F, \$0.01 par value, 16,338 shares authorized; 9,616 issued and outstanding	96	-
Common stock, \$0.01 par value, 75,000,000 shares authorized; 21,159,963 and 21,021,963 shares issued and outstanding	211,601	210,221
Additional paid-in capital	54,135,695	44,168,536
Accumulated deficit	<u>(48,583,631)</u>	<u>(47,686,808)</u>
Total stockholders' equity (deficit):	<u>5,763,890</u>	<u>(3,307,931)</u>
Total liabilities and stockholders' equity (deficit):	<u>\$ 10,069,730</u>	<u>\$ 2,160,348</u>

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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Research and development income	\$ 2,588,072	\$ 849,231
Operating expenses:		
Payroll	1,841,004	1,365,006
Professional fees	567,169	84,496
Other general and administrative	987,209	796,433
Stock compensation and forfeitures, net	<u>119,468</u>	<u>(24,052)</u>
Total operating expenses	3,514,850	2,221,883
Other income (expense):		
Interest expense	(126,784)	(188,999)
Other income, net	<u>156,738</u>	<u>105,563</u>
Total other income (expense), net	<u>29,954</u>	<u>(83,436)</u>
Net loss before provision for income taxes	(896,824)	(1,456,088)
Provision for income taxes	<u>-</u>	<u>-</u>
Net loss	<u>\$ (896,824)</u>	<u>\$ (1,456,088)</u>
Basic and diluted loss per share	<u>\$ (0.04)</u>	<u>\$ (0.07)</u>
Basic and diluted weighted-average common shares outstanding	<u>21,091,463</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, 2025 AND 2024

	Preferred Stock										Common Stock	Additional Paid-In Capital	Accumulated Deficit During Development Stage	Total Stockholders' Equity	
	Series A		Series C		Series D		Series E		Series F						
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
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	\$ (47,686,807)	\$ (3,307,930)
Common Stock issued for cash	-	-	-	-	-	-	-	-	-	-	1,000	10	7,990	-	8,000
Common Stock issued for debt conversion	-	-	-	-	-	-	-	-	-	-	137,000	1,370	1,094,630	-	1,096,000
Preferred Stock Series F issued for cash	-	-	-	-	-	-	-	-	9,616	96	-	-	7,999,904	-	8,000,000
Preferred Stock Series E issued for debt conversion	-	-	-	-	-	-	918	9	-	-	-	-	745,167	-	745,176
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	119,468	-	119,468
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(896,824)	(896,824)
Balance at December 31, 2025	369	\$ 4	26	\$ -	3,736	\$ 37	8,826	\$ 88	9,616	\$ 96	21,159,963	\$ 211,601	\$ 54,135,695	\$ (48,583,631)	\$ 5,763,890

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

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES
VI. CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash flows from operating activities:		
Net loss	\$ (896,824)	\$ (1,456,088)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	199,501	141,235
Right of use asset amortization – operating lease	290,458	191,353
Stock based compensation	119,468	93,428
Stock based compensation, forfeitures	-	(117,480)
Gain on extinguishment of a liability	-	(68,088)
Changes in operating assets and liabilities:		
Accounts receivable	(1,392,892)	135
Prepaid expenses	(104,690)	(4,075)
Deposit for operating lease	(30,000)	-
Other assets	891	-
Accounts payable and accrued liabilities	(108,752)	10,584
Payments on lease obligation	(336,450)	(218,700)
Interest payable	-	88,068
Interest payable, related party	69,557	57,985
Net cash used in operating activities	<u>(2,189,733)</u>	<u>(1,281,643)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(972,932)</u>	<u>(52,764)</u>
Net cash used in investing activities	<u>(972,932)</u>	<u>(52,764)</u>
Cash flows from financing activities:		
Proceeds from notes payable	-	400,000
Payments on notes payable	(78,452)	(22,234)
Proceeds from notes payable, related party	-	561,500
Payments on notes payable, related party	(187,215)	(12,000)
Proceeds from issuance of Preferred Stock	8,000,000	820,000
Proceeds from issuance of common stock	8,000	-
Net cash provided by financing activities	<u>7,742,333</u>	<u>1,747,266</u>
Increase in cash and cash equivalents	4,579,668	412,859
Cash and cash equivalents, beginning of year	<u>453,984</u>	<u>41,125</u>
Cash and cash equivalents, end of year	<u>\$ 5,033,652</u>	<u>\$ 453,984</u>

Supplemental disclosure of cash flow information: See Note 15.

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[®]") 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, 2025 and 2024, there were no credit losses recorded as management believes all accounts are collectible. During both years ended December 31, 2025 and 2024, no credit loss 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. Expenditure 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, 2025 and 2024, the Company did not record any impairment expense related to long-lived assets.

2.9 Income Taxes

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

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

The Company did not recognize any interest or penalties related to any unrecognized tax position during the years ended December 31, 2025 and 2024.

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

2.10 Stock-Based Compensation

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718-10, "*Accounting for Stock-Based Compensation*", requires companies to estimate the fair value of stock based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as 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.

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, 2025 and 2024, the Company was party to various milestone revenue contracts as discussed in Note 10 of these financial statements, and recorded point in time revenue of \$2,420,955 and \$774,564, respectively.

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

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, 2025 and 2024, the Company recorded \$167,117 and \$74,667, respectively, of revenue for time-and material research, design and development contracts.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies and other overhead type costs. Operating costs are charged to operations as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and revenue 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, 2025 and 2024 were \$796,895 and \$649,751, 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

2.13 Concentrations of Credit Risk, continued

During the year ended December 31, 2025 and 2024, 94% and 91%, respectively, of total revenue was generated from contracts with NASA.

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, 2025 and 2024, stock options and convertible Preferred Stock shares as the 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>2025</u>	<u>2024</u>
Stock options	146,352	232,600
Preferred Stock - Series A	1,107,000	1,107,000
Preferred Stock - Series C	78,000	78,000
Preferred Stock - Series D	373,600	373,600
Preferred Stock - Series E	882,600	790,800
Preferred Stock - Series F	<u>961,600</u>	<u>-</u>
Total	<u>3,549,152</u>	<u>2,582,000</u>

2.15 Leases

The Company follows the provisions of ASC 842 where its operating lease arrangements are comprised primarily of real estate. The Company determines if an arrangement contains a lease at inception based on whether it conveys the right to control the use of an identified asset in exchange for consideration. Lease right-of-use assets ("ROU assets") and associated lease liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Certain lease agreements may include one or more options to extend or terminate a lease. Lease terms are inclusive of these options if it is reasonably certain that the Company will exercise such options.

ROU assets also include any initial direct costs and prepayments less lease incentives. As most of the Company's leases do not provide an implicit rate, the Company's elected the practical expedient available to private companies where the risk free rate that corresponds to the lease term can be used at the commencement date. Lease expense is recognized on a straight-line basis over the lease term.

ROU assets and the corresponding operating lease liabilities are separately presented in the Company's consolidated balance sheet. The Company also elected to apply the short-term measurement and recognition exemption in which the ROU assets and lease liabilities are not recognized for short-term leases. The Company also elected to apply the practical expedient to consider non-lease components as a part of the lease. The Company's leases also contain certain variable lease expenses for common area maintenance which are variable on a month-to-month basis expense as incurred.

3. Liquidity

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. Based on this, the Company regularly monitors liquidity required to meet its operating needs and its contractual commitments. The Company has funded most of its operations through the sales of its common stock and Preferred Stock, the issuance of convertible debentures to related parties, and other traditional debt financing. Additionally, the Company sources research, design and development contracts with various governmental and private entities which generate income.

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES
VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Liquidity, continued

The Company has assessed its operating plans for the twelve months subsequent to the date this report is issued, noting it expects to have sufficient cashflows to fund operations and service its debt obligations. The Company's working capital at December 31, 2025 was approximately \$4.4 million and in addition, during 2025, the Company entered into a contract with NASA for certain research, design and development totaling \$4.0 million. During the period ended December 31, 2025, the Company received income from this contract of \$1.3 million with additional income expected of \$1.2 million to be earned during 2026.

4. Accounts Receivable

Accounts receivable at December 31, 2025 and 2024 was \$1,394,102 and \$1,210, respectively, and relate to various research, design and development project contracts and revenue from speaking and consulting engagements.

5. Property and Equipment

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

<u>Description</u>	<u>December 31, 2025</u>			
	<u>2024</u>	<u>Additions/ Transfers in</u>	<u>Retirements/ Transfers out</u>	<u>2025</u>
Computer and software	\$ 684,755	\$ 61,317	\$ -	\$ 746,072
Laboratory equipment	4,203,980	373,626	-	4,577,606
Machine shop equipment	102,396	190,912	-	293,308
Leasehold improvements	1,594,136	279,402	-	1,873,538
Renewable energy equipment	807,333	67,675	-	875,008
Land and building	1,000,000	-	-	1,000,000
Other	145,228	-	-	145,228
	<u>8,537,828</u>	<u>972,932</u>	<u>-</u>	<u>9,510,760</u>
Less accumulated depreciation	<u>(7,235,664)</u>	<u>(199,501)</u>	<u>-</u>	<u>(7,435,165)</u>
Net property and equipment	<u>\$ 1,302,164</u>	<u>\$ 773,431</u>	<u>\$ -</u>	<u>\$ 2,075,595</u>

<u>Description</u>	<u>December 31, 2024</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
	<u>8,489,020</u>	<u>52,764</u>	<u>3,955</u>	<u>8,537,828</u>
Less accumulated depreciation	<u>(7,094,429)</u>	<u>(141,235)</u>	<u>-</u>	<u>(7,235,664)</u>
Net property and equipment	<u>\$ 1,394,591</u>	<u>\$ (88,472)</u>	<u>\$ 3,955</u>	<u>\$ 1,302,164</u>

Depreciation and amortization expense of \$199,501 and \$141,235 was recognized during the years ended December 31, 2025 and 2024, respectively.

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES
VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Accrued Liabilities

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

	2025	2024
Deferred salaries	\$ -	\$ 28,849
Deferred compensation plan (See Note 16)	285,915	128,000
Other wages payable	1,754	2,174
Payroll taxes and benefits	57,669	68,223
Accrued liabilities, other	1,372	21,394
Legal contingency	150,000	150,000
	\$ 496,710	\$ 398,640

7. Notes Payable and Long-Term Debt

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

	2025	2024
Demand notes payable to an officer of the Company. The notes bear interest annually ranging from 0.97% to 8.75%, is uncollateralized and the principal balance is due on demand. During 2025, the Company made a payment of \$187,215 and \$1,096,000 was converted into common stock.	\$ 894,560	\$ 2,177,775
Demand note payable to a director of the Company. The note bears no interest, uncollateralized and the principal balance is due on demand. During 2025, the outstanding balance was converted into preferred stock Series E.	-	50,000
Demand note payable to an individual. The note bear interest of 9%, is uncollateralized and the principal balance is due on demand. The note payable was paid in full in 2025.	-	5,000
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 equipment purchased. 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, 2025 the Company does not anticipate opting out of the purchase agreement.	56,067	77,667
Convertible notes. See Note 8.	314,957	970,492
Note payable to a bank, bearing interest at a variable rate, currently 3.23% per year as of December 31, 2025, 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.	760,419	812,270
	2,026,003	4,093,204
Less current maturities	(969,588)	(2,384,979)
Total long-term debt, net of current maturities	\$ 1,056,415	\$ 1,708,225

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES
VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Notes Payable and Long-Term Debt, continued

At December 31, 2025, future minimum principal payments remaining on notes payable and notes payable, related party, are as follows:

Year	
2026	969,588
2027	53,584
2028	55,213
2029	56,893
2030+	890,725
	\$ 2,026,003

The Company's weighed average interest rate on outstanding debt obligations, for the years ended December 31, 2025 and 2024 was 2.48% and 2.36%, respectively.

8. Convertible Notes

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

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

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

The two Notes issued to non-related party holders total \$400,000 and bear annual compounding fixed interest rate of 4.25%. In 2025, the total outstanding balance of \$415,970 which includes accrued interest of \$15,970 converted into Preferred Stock series E.

The three Notes issued to related party holders total \$550,000 with two of the Notes bearing annual compounded fixed interest rate of 4.25% and the other Note bears a simple fixed interest rate of 3.70%. During 2025, one of the Notes with the annual compounded fixed interest rate of 4.25% was converted into preferred stock series E. The balance converted totaled \$261,689 including interest accrued of \$11,689. At December 31, 2025 and 2024, the total outstanding balance in these notes was \$314,978 and \$559,521 including interest accrued of \$14,957 and \$9,521, respectively.

9. Stock Incentive Plan

On September 9, 2016, the Company adopted the Ad Astra Rocket Company 2016 Stock Incentive Plan (the "Plan"). A total of 2,000,000 shares of common stock are reserved for issuance under the Plan. The purpose of the Plan is to promote continued service by certain key employees, non-employee members of the Board of Directors, consultants and other independent advisors, by providing the opportunity to acquire an 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, 2025 and 2024, the total stock options granted, including the approved shares for active board of directors, total 51,752 and 29,600, respectively.

During the years ended December 31, 2025 and 2024, the total stock options cancelled/forfeited, total 0 and 36,000, respectively.

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES
VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Stock Incentive Plan, continued

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, 2023	239,000	\$ 8.00
Granted	29,600	\$ 8.00
Forfeited/cancelled	<u>(36,000)</u>	<u>\$ 0.00</u>
Outstanding, December 31, 2024	232,600	\$ 8.00
Granted	51,752	\$ 8.00
Forfeited/cancelled	-	\$ 0.00
Exercised	<u>(138,000)</u>	<u>\$ 0.00</u>
Outstanding, December 31, 2025	<u>146,352</u>	<u>\$ 8.00</u>
Exercisable, December 31, 2025	<u>94,600</u>	<u>\$ 8.00</u>

The weighted-average remaining life and weighted-average fair value of outstanding options at December 31, 2025 were 7.9 years and \$4.00. At December 31, 2025, information relating to such options follows:

<u>Exercise Price</u>	<u>Stock Options Outstanding</u>	<u>Stock Options Exercisable</u>	<u>Weighted Average Remaining Contract Life</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Exercise Price of Options Exercisable</u>
\$8.00	<u>146,352</u>	<u>94,600</u>	7.9- years	\$8.00	\$8.00
	<u>146,352</u>	<u>94,600</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 \$119,468 and \$93,428 for the years ended December 31, 2025 and 2024, respectively. In addition, forfeitures of stock compensation was \$0 and \$117,480 for the years ended December 31, 2025 and 2024, respectively.

For stock options granted in 2025 and 2024, the following assumptions were used:

	<u>2025</u>	<u>2024</u>
Dividend Yield	0%	0%
Expected Volatility	27%	33%
Weighted Average Risk-Free Interest Rates	3.52%	4.30%
Expected Life in Years	10	10

As of December 31, 2025, there was \$166,270 of unrecognized expense remaining related to non-vested stock-based compensation arrangements.

10. Milestone Revenue Contracts

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, 2025 and 2024, the Company earned and recorded research and development income of \$21,019 and \$252,309, respectively. As of December 31, 2025, the project has been completed, and no revenue remains to be earned in 2026.

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Milestone Revenue Contracts, continued

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, the Company earned and recorded research and development income of \$49,519. The project was completed in 2024 and no revenue was 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, 2025 and 2024, the Company earned and recorded over-time revenue of \$167,117 and \$74,667, 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, 2025 and 2024, the Company earned and recorded \$587,234 and \$262,736 in research and development income, respectively. As of December 31, 2025, the project has been completed and no revenue remains to be earned in 2026.

On July 2024, the Company entered into a contract with ProNova Energy Holdings LLC, a wholly owned company of ProNova Energy Developers, LLC., and 33.36% owned by the Company, 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, 2025 and 2024, the Company earned \$30,000 and \$210,000 in research and development consulting services income, respectively. As of December 31, 2025, \$1,000 is expected to be collected in 2026. No revenue remains to be earned in 2026.

On May 2025, the Company entered into a contract with NASA to provide research and development services with a contract value of \$3,999,650 and a completion date September 29, 2027. 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, 2025, the Company earned and recorded \$1,782,702 in research and development income. As of December 31, 2025, a total of \$1,282,702 remains to be collected in 2026. As of December 31, 2025, a total of \$2,216,948 remains to be earned in years 2026 and 2027, based on the milestones completed.

11. Related Party Transactions

During the years ended December 31, 2025 and 2024, the Company has two, uncollateralized, outstanding notes payable totaling \$894,560 and \$2,177,775, respectively, from an officer of the Company bearing interest ranging from 0.25% to 8.75% and due upon demand. In 2025, \$1,096,000 of the outstanding balance was converted into 137,000 common stock for \$8 per share.

On June 17, 2022, the Company issued a note payable of \$50,000 to a director of the Company's board. The note payable bears no interest with a due date June 17, 2023. As of December 31, 2025, this note was converted into preferred stock series E. See Note 13.6.

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, 2025, the balance on the convertible notes issued was \$314,957, including \$14,957 in accrued interest. During 2025, one of the Notes with a balance of \$261,689, including \$11,689 interest, was converted into preferred stock series E. See Note 13.6.

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES
VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting purposes. For the years ended December 31, 2025 and 2024, there were no provisions for income taxes and deferred tax assets have been entirely offset by a valuation allowance, due to the Company's unlikely realization based on its recurring net losses.

Significant components of the Company's deferred tax assets and liabilities were as follows at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Deferred tax assets (liabilities):		
Net operating loss carryforwards	\$ 8,603,704	\$ 8,113,644
Non-deductible accruals	(156,625)	116,954
Basis difference in property and equipment	<u>(393,980)</u>	<u>(245,611)</u>
Total deferred tax assets, net	<u>8,053,099</u>	<u>7,984,987</u>
Valuation allowance	<u>(8,053,099)</u>	<u>(7,984,987)</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, 2025 and 2024 is as follows:

	<u>2025</u>		<u>2024</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Benefit for income tax at				
federal statutory rate	\$ (188,333)	(21.0)%	\$ (305,778)	(21.0)%
Change in valuation allowance	68,112	7.5	324,086	22.2
Stock-based compensation	25,088	2.8	(5,053)	(0.3)
Tax accrual to return adjustments	<u>95,133</u>	<u>10.6</u>	<u>(13,255)</u>	<u>(0.9)</u>
	<u>\$ -</u>	<u>- %</u>	<u>\$ -</u>	<u>- %</u>

At of December 31, 2025, for U.S. federal income tax reporting purposes, the Company has approximately \$40,970,019 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 2025 totaling approximately \$13,053,610 do not expire. Because tax laws limit the use of NOLs in future periods in which the Company generates taxable income, the Company may be unable to take full advantage of its NOLs for federal income tax purposes. Further, the benefit from utilization of NOL carry-forwards could be subject to limitations due to material ownership changes that may or may not occur in the Company.

13. Stockholders' Equity

13.1 Common Stock

The Company's Certificate of Incorporation authorizes issuance of 75,000,000 shares of \$0.01 par value common stock ("Common Stock"). As of both December 31, 2025 and 2024, the Company had 21,159,963 and 21,021,963 shares of Common Stock issued and outstanding, respectively. The Company may issue any authorized but unissued shares of Common Stock at prices and other terms as approved by the Company's Board of Directors.

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

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Stockholders' Equity, continued

13.1 Common Stock, continued

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.

During 2025, Company sold 1,000 Common Stock shares at \$8 per share for \$8,000. The Company did not sell any Common Stock during the year ended December 31, 2024.

13.2 Preferred Stock

The Company's certificate of incorporation authorizes the issuance of 100,000 shares of \$0.01 par value Preferred Stock in one or any number of series. At December 31, 2025 and 2024, the Company authorized Series A, C, D, E and F Preferred Stock as discussed below.

13.3 Series A Preferred Stock

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

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

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

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

13.4 Series C Preferred Stock

At December 31, 2025 and 2024, the Company had 1,000 shares authorized and 26 issued and outstanding, of \$0.01 par value Series C Preferred Stock ("Series C"). Series C has a liquidation preference equal to the original purchase price and does not pay a mandatory dividend. The Series C is convertible by the holder into Common Stock within 15 days of notice of redemption from the Company at a price determined by dividing the Series C original issue price by the Series C conversion price in effect at the time of conversion.

The Series C conversion price is equal to the original issue price per share divided by 3,000. The Company has the right to redeem Series C for cash at any time after issuance with a twenty-day written notice at a redemption price equal to the original issue price, plus all declared but unpaid dividends. Series C stock 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, 2025 and 2024, the Company did not issue any shares of Series C Preferred Stock.

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

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Stockholders' Equity, continued

13.5 Series D Preferred Stock

At December 31, 2025 and 2024, the Company had 4,000 shares authorized and 3,736 issued and outstanding of \$0.01 par value Series D Preferred Stock ("Series D"). Series D has a liquidation preference equal to the original purchase price and does not pay a mandatory dividend. The Series D is convertible by the holder into Common Stock at any time from the Company at a price determined by dividing the Series D original issue price by the Series D conversion price in effect at the time of conversion.

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

During the year ended December 31, 2025, the Company did not issue any Series D Preferred Stock.

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

13.6 Series E Preferred Stock

On June 22, 2020, the Company's Board of Directors approved a Unanimous Written Consent resolution authorizing the creation of 2,964 shares of \$0.01 par value Series E Preferred Stock ("Series E"). Effective June 24, 2020, the Company registered with the State of Delaware the Certificate of Designations creating the Series E Preferred Stock. During 2021, the Company's Board of Directors approved and authorized an additional 2,286 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, 2025 and 2024, the Company had 10,000 Series E shares authorized. At December 31, 2025 and 2024, the Company had 8,826 and 7,908 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.

During the year ended December 31, 2025, the Company converted outstanding balances of two convertible notes and a note payable, along with their related accrued interest, into 918 shares of Series E Preferred Stock for a price of \$800 per share totaling \$745,173 in debt conversion. The Company recorded no issuance costs related to this transaction.

13.7 Series F Preferred Stock

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

The Series F conversion price is equal to the original issue price per share divided by 100. Series F shares become mandatorily convertible to Common Stock at a conversion rate of 100 common shares for each Series F 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.

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES
VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Stockholders' Equity, continued

13.7 Series F Preferred Stock, continued

At December 31, 2025, the Company had 16,338 Series F shares authorized. At December 31, 2025, the Company had 9,616 issued and outstanding. Series F has a liquidation preference equal to the original purchase price and does not pay a mandatory dividend. The Series F shares are convertible by the holder into Common Stock at any time from the Company at a price determined by dividing the Series F original issue price by the Series F conversion price in effect at the time of conversion.

During the year ended December 31, 2025, the Company sold 9,616 shares of Series F. Preferred Stock at \$832 per share for cash totaling \$8,000,000 in proceeds. The Company recorded no issuance costs related to this sale.

14. Leases

On March 1, 2025, the Company entered into a new operating lease agreement for real estate replacing all terms and conditions from the previous lease that was effective and set to expire on October 31, 2026. The term of the lease is for sixty monthly payments of \$30,000 effective March 1, 2025 with an expiration date February 28, 2030 and no options to extend the lease. The agreement also required a security deposit of \$30,000 which has been paid as of December 31, 2025.

The following represents information regarding the operating lease where the Company is the lessee at December 31, 2025:

<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>
<i>Office space lease</i>	\$ 1,380,406	\$ 1,380,406	4.2 years	3.97%

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

	<u>2025</u>	<u>2024</u>
Long-term operating lease:		
Fixed lease expense:		
Non-cash lease expense (amortization of ROU assets)	\$ 290,458	\$ 191,353
Related accretion expense on lease liability balance	<u>45,992</u>	<u>9,082</u>
Total lease expense	<u>\$ 336,450</u>	<u>\$ 200,435</u>

Cash paid for operating lease liabilities recorded on the consolidated balance sheet included \$255,158 and \$209,618 related to lease liability reductions and \$44,842 and \$9,082 related to the imputed interest recorded as lease expense for the years ended December 31, 2025 and 2024, respectively.

The future annual lease obligations at December 31, 2025 are as follows:

<u>Year Ending December 31,</u>	
2026	360,000
2027	360,000
2028	360,000
2029	360,000
2030	<u>60,000</u>
Total undiscounted lease obligations	1,500,000
Less imputed interest	<u>(119,594)</u>
Net lease obligations	<u>\$1,380,406</u>

During the years ended December 31, 2025 and 2024, the Company did not record any variable or short-term lease expense.

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES
VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Supplemental disclosure of cash flow information

The supplemental disclosure of certain cash flow information is listed below for the years ended December 31, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
Cash paid for interest	\$ 18,493	\$ 42,946
Non-cash investing and financing activities:		
Leased asset obtained in exchange for operating lease liability	\$ 1,320,050	\$ -
Convertible notes payable converted to Preferred Stock	\$ 400,000	\$ 408,000
Accrued interest on convertible notes payable converted to Preferred Stock	\$ 29,120	\$ -
Convertible notes payable, related party, converted to Preferred Stock	\$ 250,000	\$ -
Accrued interest on convertible notes payable, related party, converted to Preferred Stock	\$ 11,600	\$ -
Notes payable, related party, converted to Preferred Stock	\$ 50,000	\$ -
Accrued interest on convertible notes payable, related party, converted to Preferred Stock	\$ 4,365	\$ -
Notes payable, related party, converted to common stock	\$ 1,096,000	\$ -
Accounts payable converted to Preferred Stock	\$ -	\$ 279,277
Accrued interest on notes payable converted to Preferred Stock	\$ -	\$ 309,524
Non-cash interest on convertible notes	\$ 18,128	\$ 10,992
Non-cash interest on convertible notes, related party	\$ 17,036	\$ 9,521

16. Non-qualified deferred compensation Plan

The Company established a Non-Qualified Deferred Compensation Plan for a select group of management or highly compensated employees and currently, only one Company officer is participating in the Plan. The employer is not required to and has not made nonelective contributions to the Plan. The Plan was established as an Elective Deferral Account Balance Plan for which the eligible compensation includes only base salary and a maximum elective deferral amount is 80% of the eligible compensation. The balance on the participant's account will be paid at the time of separation from service, death, disability, change of control or unforeseeable emergency, as defined by the Plan. The deferred compensation balance as of December 31, 2025 and 2024, was \$285,915 and \$128,000, respectively.

17. 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, 2025 and 2024 the Company is involved in a regulatory tax matter with the taxing authorities in Costa Rica. The taxing authorities have claimed the Company owed taxes and penalties related to ancillary income earned. As a result of this claim, the Company recorded a current liability of \$150,000 to cover the expected back taxes, penalties, and legal representation for the matter.

AD ASTRA ROCKET COMPANY AND SUBSIDIARIES
VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Joint Venture Investment

On February 1, 2024, the Company's Costa Rican Subsidiary, The Pearl Trading Group Corp (Mesoamerica) and Cavendish S.A. entered into a joint venture and formed ProNova Energy Developers LLC (ProNova), a Delaware limited liability company with equal member ownership of 33.33%. In addition, on February 1, 2024, ProNova Energy Developers LLC formed and is the sole member of ProNova Energy Holdings LLC, a Delaware limited liability company. In 2024, ProNova Energy Holdings LLC initiated the project of building a plant in Costa Rica, to be used for producing and storing hydrogen that will fuel certain busses and trucks primarily in the Latin American region. At December 31, 2025 and 2024, ProNova had a member's deficit of \$260,326 and \$217,119, respectively.

The deficit 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, 2025 and 2024.

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

	2025	2024
Assets:		
Cash	\$ -	\$ 28,981
Total assets	-	28,981
Liabilities:		
Accounts payable	2,441	399
Long term debt	257,845	245,701
Total liabilities	\$ 260,286	\$ 246,100
Net members' deficit	(260,286)	(217,119)
Total members' deficit	\$ (260,286)	\$ (217,119)
Expenses:		
Administrative expense	\$ 928	1,418
Interest expense	12,279	5,701
Consulting expense, related party	30,000	210,000
Net loss	\$ 43,207	\$ 217,119

19. Subsequent Events

Management has evaluated subsequent events through March 26, 2026, which is the date the consolidated financial statements were available to be issued, and has determined no significant subsequent events requiring additional disclosure in the notes to the consolidated financial statements were present.