UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x
QUARTERLY
REPORT
PURSUANT
TO SECTION
13 OR 15(d)
OF THE
SECURITIES
EXCHANGE
ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2014

OR

o
TRANSITION
REPORT
PURSUANT
TO SECTION
13 OR 15(d)
OF THE
SECURITIES
EXCHANGE
ACT OF 1934

FOR THE TRANSITION PERIOD FROM ____________ TO ____________

COMMISSION FILE NUMBER: 000-54437

HYPERSOLAR, INC.
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	26-4298300 (I.R.S. Employer Identification Number)

510 Castillo St., Suite 304
Santa Barbara, California 93101

(Address of principal executive offices) (Zip Code)

Registrant’s telephone number, including area code: (805) 966-6566

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes xNo o .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2) of the Act. Yes o No x

There were 399,043,630 shares of the registrant's common stock, par value $0.001, issued and outstanding as of May 13, 2014.

HYPERSOLAR, INC.
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PART I. Financial Information

HYPERSOLAR, INC.
(A Development Stage Company)
BALANCE SHEETS

	March 31, 2014 (unaudited)	June 30, 2013
ASSETS		
CURRENT ASSETS		
Cash	$55,882	$ 15,937
Prepaid expenses and other current assets	2,140	11,855
TOTAL CURRENT ASSETS	58,022	27,792
PROPERTY & EQUIPMENT		
Computers and peripherals	6,218	4,198
Less: accumulated depreciation	(4,311)	(3,965)
NET PROPERTY AND EQUIPMENT	1,907	233
OTHER ASSETS		
Deposits	925	925
Domain, net of amortization $2,008 and $1,742, respectively	3,307	3,573
Patents	16,676	16,676
TOTAL OTHER ASSETS	20,908	21,174
TOTAL ASSETS	$80,837	$ 49,199
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$88,578	$ 121,240
Accrued expenses	218,706	130,205
Derivative liability	12,743,419	536,640
Convertible promissory notes, net of debt discount of $150,919 and $192,254, respectively	331,472	178,087
TOTAL CURRENT LIABILITIES	13,382,175	966,172
SHAREHOLDERS' DEFICIT		
Preferred Stock, $0.001 par value;		
5,000,000 authorized preferred shares	-	-
Common Stock, $0.001 par value;		
500,000,000 authorized common shares		

384,991,623 and 194,263,571 shares issued and outstanding, respectively	384,991	194,263
Additional Paid in Capital	4,016,706	2,532,032
Deficit Accumulated during the Development Stage	(17,703,035)	(3,643,268)
TOTAL SHAREHOLDERS' DEFICIT	(13,301,338)	(916,973)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$ 80,837	$ 49,199

The accompanying notes are an integral part of these financial statements

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HYPERSOLAR, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended March 31, 2014	For the Three Months Ended March 31, 2013	For the Nine Months Ended March 31, 2014	For the Nine Months Ended March 31, 2013	From Inception on February 18, 2009 through March 31, 2014
REVENUE	$-	$-	$-	$-	$-
OPERATING EXPENSES					
General and administrative expenses	105,883	119,391	327,843	389,486	2,814,575
Research and development cost	21,729	-	78,703	109,345	673,108
Depreciation and amortization	257	88	611	965	6,318
TOTAL OPERATING EXPENSES	127,869	119,479	407,157	499,796	3,494,001
LOSS FROM OPERATIONS BEFORE OTHER EXPENSES	(127,869)	(119,479)	(407,157)	(499,796)	(3,494,001)
OTHER INCOME/(EXPENSES)					
Impairment of intangible asset	-	-	-	-	(14,727)
Gain on forgiveness of debt	-	-	-	10,000	10,000
Gain/(Loss) on settlement of debt	25,293	-	32,831	-	129,935
Gain/(Loss) on change in derivative liability	(12,694,787)	8,723	(13,255,320)	(85,860)	(13,606,004)
Penalties	-	-	-	-	(157)
Interest expense	(156,313)	(52,661)	(430,121)	(181,880)	(728,081)
TOTAL OTHER INCOME/(EXPENSES)	(12,825,807)	(43,938)	(13,652,610)	(257,740)	(14,209,034)
NET INCOME/ (LOSS)	$(12,953,676)	$(163,417)	$(14,059,767)	$(757,536)	$(17,703,035)
BASIC AND DILUTED LOSS PER SHARE	$(0.04)	$(0.00)	$(0.05)	$(0.00)	
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING BASIC AND DILUTED	334,908,982	168,585,170	261,328,257	167,772,481	

The accompanying notes are an integral part of these financial statements

HYPERSOLAR, INC.
(A Development Stage Company)
STATEMENT OF SHAREHOLDERS' DEFICIT
(Unaudited)

	Preferred stock		Common stock		Additional Paid-in	Deficit Accumulated during the Development	
	Shares	Amount	Shares	Amount	Capital	Stage	Total
Balance at June 30, 2013	-	$-	194,263,571	$194,263	$2,532,032	$(3,643,268)	$(916,973)
Issuance of common stock for cashless exercise of warrants at fair value	-	-	54,846,527	54,847	(54,847)	-	-
Issuance of common stock for conversion of debt price per share at fair value ranging from $0.005 to $0.01	-	-	135,881,525	135,881	1,539,521	-	1,675,402
Net loss for the nine months ended March 31, 2014	-	-	-	-	-	(14,059,767)	(14,059,767)
Balance at March 31, 2014	-	$-	384,991,623	$384,991	$4,016,706	$(17,703,035)	$(13,301,338)

The accompanying notes are an integral part of these financial statements

HYPERSOLAR, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended March 31, 2014	Nine Months Ended March 31, 2013	From Inception on February 18, 2009 through March 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(14,059,767)	$(757,536)	$(17,703,035)
Adjustment to reconcile net loss to net cash used in operating activities			
Depreciation & amortization expense	611	965	6,318
Common stock issued for services and accounts payable	-	10,000	276,794
Common stock compensation	-	-	44,669
Impairment of intangible asset	-	-	14,727
Forgiveness of debt	-	(10,000)	(10,000)
Loss on change in derivative liability	13,255,320	85,860	13,606,004
Amortization of debt discount recorded as interest expense	396,838	168,641	671,054
Gain on settlement and exchange of debt	(32,831)	-	(129,935)
Change in Assets and Liabilities:			
(Increase) Decrease in:			
Prepaid expenses and other current assets	9,715	5,661	(2,140)
Deposits	-	545	(925)
Increase (Decrease) in:			
Accounts payable	(32,662)	113,880	162,578
Accrued expenses	107,241	104,210	247,580
NET CASH USED IN OPERATING ACTIVITIES	(355,535)	(277,774)	(2,816,311)
NET CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets	(2,020)	-	(6,218)
Purchase of intangible assets	-	-	(36,718)
NET CASH USED IN INVESTING ACTIVITIES	(2,020)	-	(42,936)
NET CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from notes payable, other	-	68,500	309,053
Proceeds from convertible notes payable	397,500	172,500	685,000
Payment of notes payable, other	-	(7,500)	(187,053)
Proceeds from issuance of common stock	-	44,980	2,108,129
NET CASH PROVIDED BY FINANCING ACTIVITIES	397,500	278,480	2,915,129
NET INCREASE/(DECREASE) IN CASH	39,945	706	55,882

CASH, BEGINNING OF YEAR	15,937	14,554	-
CASH, END OF PERIOD	$55,882	$15,260	$55,882
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Interest paid	$1,077	$68	$4,672
Taxes paid	$-	$-	$-
SUPPLEMENTAL DISCLOSURES OF NON CASH TRANSACTIONS			
Issuance of common stock upon conversion of debt at fair value	$1,675,402	$-	
Issuance of common stock upon cashless conversion of warrants	$54,847	$-	

The accompanying notes are an integral part of these financial statements

HYPERSOLAR, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all normal recurring adjustments considered necessary for a fair presentation have been included. Operating results for the nine months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending June 30, 2014. For further information refer to the financial statements and footnotes thereto included in the Company's Form 10-K for the year ended June 30, 2013.

Going Concern

The accompanying financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company does not generate revenue, and has negative cash flows from operations, which raise substantial doubt about the Company’s ability to continue as a going concern. The ability of the Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, additional cash infusion. The Company has obtained funds from its shareholders since its inception through the period ended March 31, 2014. Management believes this funding will continue, and has also obtained funding from new investors. Management believes the existing shareholders and the prospective new investors will provide the additional cash needed to meet the Company’s obligations as they become due, and will allow the development of its core business. There is no assurance that the Company will be able to continue raising the required capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of HyperSolar, Inc. is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Development Stage Activities and Operations

The Company has been in its initial stages of formation and for the nine months ended March 31, 2014, had no revenues. A development stage activity as one in which all efforts are devoted substantially to establishing a new business and even if planned principal operations have commenced, revenues are insignificant.

Revenue Recognition

The Company recognizes revenue when services are performed, and at the time of shipment of products, provided that evidence of an arrangement exists, title and risk of loss have passed to the customer, fees are fixed or determinable, and collection of the related receivable is reasonably assured. To date, the Company has had no revenues and is in the development stage.

Cash and Cash Equivalent

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements. Significant estimates made in preparing these financial statements include the estimate of useful lives of intangible assets, and the deferred tax valuation allowance. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Disclosures about fair value of financial instruments, requires disclosure of the fair value information, whether or not recognized in the balance sheet, where it is practicable to estimate that value. As of March 31, 2014, the amounts reported for cash, accrued interest and other expenses, and notes payable approximate the fair value because of their short maturities.

ASC Topic 820 measures financial instruments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States and expands disclosures about fair value measurements.

HYPERSOLAR, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 established a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

We measure certain financial instruments at fair value on a recurring basis. Assets and liabilities measured at fair value on a recurring basis are as follows at March 31, 2014:

	Total	(Level 1)	(Level 2)	(Level 3)
Assets	$ -	$ -	$ -	$ -
Total assets measured at fair value	$ -	$ -	$ -	$ -
Liabilities				
Derivative liability	12,743,419	-	-	12,743,419
Convertible notes, net of discount	331,472	-	-	331,472
Total liabilities measured at fair value	$ 13,074,891	$ -	$ -	$ 13,074,891

Loss per Share Calculations
Loss per Share dictates the calculation of basic earnings per share and diluted earnings per share. Basic earnings per share are computed by dividing income available to common shareholders by the weighted-average number of common shares available. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. No outstanding shares for the convertible debt were used in the calculation of the loss per share as they were all anti-dilutive. The Company's diluted loss per share is the same as the basic loss per share for the nine months ended March 31, 2014, as the inclusion of any potential shares would have had an anti-dilutive effect due to the Company generating a loss.

Stock based Compensation
Share-based Payment applies to transactions in which an entity exchanges its equity instruments for goods or services and also applies to liabilities an entity may incur for goods or services that are to follow a fair value of those equity

instruments. The Company will be required to follow a fair value approach using an option-pricing model, such as the Black Scholes option valuation model, at the date of a stock option grant. The deferred compensation calculated under the fair value method would then be amortized over the respective vesting period of the stock option.

Recently issued pronouncements
Management reviewed accounting pronouncements issued during the nine months ended March 31, 2014, and no pronouncements were adopted.

3. CAPITAL STOCK

During the nine months ended March 31, 2014, the Company issued 54,846,527 shares of common stock through a cashless exercise of 69,838,762 purchase warrants at fair value.

During the nine months ended March 31, 2014, the Company issued 135,881,525 shares of common stock for $285,450 in principal for conversion of various convertible notes, plus $18,739 in accrued interest.

HYPERSOLAR, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

4. STOCK OPTIONS

As of March 31, 2014, 250,000 non-qualified stock options common stock to a contractor were outstanding. Each option shall be exercisable to the nearest whole share, in installments or otherwise, as the respective agreements may provide. Notwithstanding any other provisions of the Option agreement, each Option expires on the date specified in the Option agreement, which date shall not be later than the fifth (5th) anniversary from the grant date of the options. The stock options are fully vested and are exercisable for a period of five years from the date of grant at an exercise price $0.04 per share.

A summary of the Company's stock option activity and related information follows:

	3/31/2014	
	Number of Options	Weighted average exercise price
Outstanding, beginning of year	250,000	$ 0.04
Granted	-	-
Exercised	-	-
Forfeited/Expired	-	-
Outstanding, end of period	250,000	$ 0.04
Exercisable at the end of period	250,000	$ 0.04
Weighted average fair value of options granted during the period		$ -

Stock-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. Stock-based compensation expense recognized in the financial statements of operations during the nine months ended March 31, 2014, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of March 31, 2014 based on the grant date fair value estimated, and compensation expense for the stock-based payment awards granted subsequent to March 31, 2014, based on the grant date fair value estimated. We account for forfeitures as they occur, and no options were forfeited during the nine months ended March 31, 2014. There was no stock-based compensation expense recognized in the statement of income during the nine months ended March 31, 2014.

Warrants

During the nine months ended March 31, 2014, the Company issued 54,846,527 shares of common stock through a cashless exercise of 69,838,762 purchase warrants. There were no outstanding purchase warrants as of March 31, 2014.

5. CONVERTIBLE PROMISSORY NOTES

On October 19, 2012, the Company received funds of $12,500 in consideration for issuance of a securities purchase agreement entered into for the sale of a 10% convertible promissory note in the principal amount of up to $75,000. The Company received an additional advance on March 7, 2013 in the amount of $10,000 for an aggregate total of $22,500. During the nine months ended March 31, 2014, principal of $22,500, including interest of $2,188 was fully converted into 13,129,894 shares of common stock of the Company. The Company recorded debt discount of $12,500 related to the conversion feature of the notes, along with derivative liabilities at inception. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of $10,651 for the nine months ended March 31, 2014.

On October 29, 2012, the Company received funds of $40,000 in consideration for issuance of a securities purchase agreement entered into for the sale of a 10% convertible promissory note in the aggregate principal amount of up to $100,000. The Company received additional advances in the amount of $50,000 on various dates in 2013 for a total aggregate principal sum of $90,000. During the nine months ended March 31, 2014, principal in the amount of $86,000, plus interest of $8,928 was converted into 52,279,728 shares of common stock of the Company. As of March 31, 2014, the remaining principal balance is $4,000. The note is convertible into shares of common stock of the Company at a price equal to a variable conversion price of the lesser of a)$0.01 per share b)fifty percent (50%) of the lowest trading price of the previous 25 trading days or c)lowest price offered. The note matures one (1) year from the effective dates of each respective advance. The Company recorded debt discount of $90,000 related to the conversion feature of the notes, along with derivative liabilities at inception. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of $55,066 for the nine months ended March 31, 2014.

HYPERSOLAR, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

5. CONVERTIBLE PROMISSORY NOTES (Continued)

On March 7, 2013, the Company received funds in the amount of $10,000 in the consideration for issuance of a securities purchase agreement entered into for the sale of a 10% convertible promissory note for a principal amount of up to $100,000. On October 1, 2013, $10,000 was advanced to the Company on the note for an aggregate principal amount of $20,000, of which $14,450 in principal and $573 in interest was converted into 7,511,300 shares of common stock of the Company. As of March 31, 2014, $5,550 in principle remains on the convertible note. The remaining note is convertible into shares of common stock of the Company at a price equal to a variable conversion price of the lesser of $0.0035 per share or fifty percent (50%) of the lowest trade price recorded on any trade day after the effective date. The note matures one (1) year from the effective date of each respective advance. The Company recorded debt discount of $20,000 related to the conversion feature of the notes, along with derivative liabilities at inception. The Company recorded amortization of debt discount, which was recognized as interest expense of $14,044 during the nine months ended March 31, 2014.

On April 23, 2013, the Company entered into a securities purchase agreement for the sale of an 8% convertible promissory note in the aggregate principal amount of up to $32,500, for consideration of $32,500. During the month of October and November 2013, the principal amount of the note of $32,500, plus interest of $1,300 was fully converted into 8,022,257 shares of common stock of the Company. The Company recorded amortization of debt discount, which was recognized as interest expense of $24,289 during the nine months ended March 31, 2014.

On May 9, 2013, the Company entered into a securities purchase agreement for the sale of a 10% convertible promissory note entered into for the extinguishment of a previous note in the aggregate principal amount of $127,841. The note is convertible into shares of common stock of the Company at a price equal to the lesser of $0.009 or 50% of the lowest trade price after the effective date. The note matured on November 5, 2013, and was extended for six months to May 5, 2014. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of $15,755 during the nine months ended March 31, 2014.

On May 21, 2013, the Company entered into a securities purchase agreement for the sale of an 8% convertible promissory note in the aggregate principal amount of $32,500, for consideration of $32,500. During the month of November 2013, the principal amount of the note in the amount of $32,500, plus interest of $1,300 was fully converted into 10,286,765 shares of the Company’s common stock of the Company. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of $27,701 during the nine months ended March 31, 2014.

On June 3, 2013, the Company entered into a 10% convertible promissory note in the aggregate principal amount of $55,000, for payment of a accounts payable. On June 4, 2013, the note was assigned to another lender. The note, plus interest of $2,750 was fully converted during the months of December 2013 and January 2014 into 28,875,000 shares of common stock of the Company. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of $51,082 during the nine months ended March 31, 2014.

On July 29, 2013, the Company received funds of $42,500 in consideration for issuance of a securities purchase agreement providing for the sale of an 8% convertible promissory note in the aggregate principal amount of up to $42,500. The note was fully converted on various dates in January and February of 2014, into 15,776,581 shares of common stock of the Company for principal in the amount of $42,500, plus accrued interest of $1,700. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of $42,500 during the nine months ended March 31, 2014.

On August 9, 2013, the Company received funds of $15,000 in consideration for issuance of a securities purchase agreement entered into for the sale of a 10% convertible promissory note in the aggregate principal amount of up to $100,000. The Company received additional advances in the aggregate amount of $85,000 during the nine months ended March 31, 2014 for a total aggregate principal sum of $100,000. The notes are convertible into shares of common stock of the Company at a price equal to a variable conversion price of the lesser of a) $0.0048 per share; b) fifty percent (50%) of the lowest trading price after the effective date of each respective advance or c) the lowest conversion price offered by the Company with respect to any financing occurring before or after the date of each respective advance. The notes matured six (6) months from the effective dates of each respective advance, and each advance was extended for another six (6) months. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of $88,439 during the nine months ended March 31, 2014.

On October 2, 2013, the Company received funds of $32,500 in consideration for issuance of a securities purchase agreement providing for the sale of an 8% convertible promissory note in the aggregate principal amount of up to $32,500. The note is convertible into shares of common stock of the Company at a price equal to 58% times the average of the lowest three trading prices for the common stock during the ten days prior to the conversion. The note matures on June 17, 2014. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of $17,501 during the nine months ended March 31, 2014.

On December 5, 2013, the Company received funds of $32,500 in consideration for issuance of a securities purchase agreement providing for the sale of an 8% convertible promissory note in the aggregate principal amount of up to $32,500. The note is convertible into shares of common stock of the Company at a price equal to 58% times the average of the lowest three trading prices for the common stock during the ten days prior to the conversion. The note matures on August 22, 2014. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of $14,499 during the nine months ended March 31, 2014.

HYPERSOLAR, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

5. CONVERTIBLE PROMISSORY NOTES (Continued)

On December 16, 2013, the Company received funds of $26,000 in consideration for issuance of a securities purchase agreement entered into for the sale of a 10% convertible promissory note in the aggregate principal amount of up to $100,000. The Company received additional advances in the amount of $74,000 for an aggregate sum of $100,000.The note is convertible into shares of common stock of the Company at a price equal to a variable conversion price of the lesser of $0.0048 per share or fifty percent (50%) of the lowest trading price after the effective date of each respective advance. The notes mature six (6) months from the effective dates of each respective advance. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of $28,222 during the nine months ended March 31, 2014.

On March 5, 2014, the Company received funds of $30,000 in consideration for issuance of a securities purchase agreement entered into for the sale of a 10% convertible promissory note in the aggregate principal amount of up to $100,000. The Company received an additional advance in the amount of $50,000 for an aggregate sum of $80,000. The note is convertible into shares of common stock of the Company at a price equal to a variable conversion price of the lesser of $0.0048 per share or fifty percent (50%) of the lowest trading price after the effective date of each respective advance. The notes mature six (6) months from the effective dates of each respective advance. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of $7,111 during the nine months ended March 31, 2014.

ASC Topic 815 provides guidance applicable to convertible debt issued by the Company in instances where the number into which the debt can be converted is not fixed. For example, when a convertible debt converts at a discount to market based on the stock price on the date of conversion, ASC Topic 815 requires that the embedded conversion option of the convertible debt be bifurcated from the host contract and recorded at their fair value. In accounting for derivatives under accounting standards, the Company recorded a liability representing the estimated present value of the conversion feature considering the historic volatility of the Company’s stock, and a discount representing the imputed interest associated with the embedded derivative. The discount is amortized over the life of the convertible debt, and the derivative liability is adjusted periodically according to stock price fluctuations.

At the time of conversion, the Company recognized losses on extinguishment of debt at fair value of $1,371,214, and recorded a gain as the extinguishment of the associated derivative liability of $1,404,045, which resulted in a net gain on extinguishment of debt of $32,831 for the nine months ended March 31, 2014.

For purpose of determining the fair market value of the derivative liability, the Company used Black Scholes option valuation model. The significant assumptions used in the Black Scholes valuation of the derivative are as follows:

Stock price on the valuation dates	$0.0048 - $0.05
Conversion price for the debt	$0.002 - $0.0116
Dividend yield	0.00%
Years to Maturity	6 months -1 year
Risk free rate	.03% - .18%
Expected volatility	

51.13% -
523.07%

The value of the derivative liability at March 31, 2014 was $12,743,419.

HYPERSOLAR, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

6. SUBSEQUENT EVENTS

Management evaluated subsequent events as of the date of the financial statements pursuant to ASC Topic 855 and noted the following items:

On April 3, 2014, the Company issued 1,557,604 shares of common stock upon conversion of a convertible note for the principal amount of $32,500, plus accrued interest of $1,300.

On April 16, 2014, the Company issued 2,474,834 shares of common stock upon conversion of a convertible note for the principal amount of $4,000, plus accrued interest of $331.

On April 24, 2014, the Company issued 10,019,569 shares of common stock upon conversion of a convertible note for the principal amount of $16,000, plus accrued interest of $1,534.

On May 9, 2014, the Company received an additional advance in the amount of $20,000 in consideration for issuance of a securities purchase agreement entered into on March 5, 2014, for the sale of a of a 10% convertible promissory note in the aggregate principal amount of up to $100,000. The note is convertible into shares of common stock of the Company at a price equal to a variable conversion price of the lesser of $0.0048 per share or fifty percent (50%) of the lowest trading price after the effective date of each respective advance. The note matures six (6) months from the effective dates of each respective advance.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Statements

The information in this discussion may contain forward-looking statements. These forward-looking statements involve risks and uncertainties, including statements regarding our capital needs, business strategy and expectations. Any statements that are not of historical fact may be deemed to be forward-looking statements. These forward-looking statements involve substantial risks and uncertainties. In some cases you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potent "continue", the negative of the terms or other comparable terminology. Forward-looking statements in this Report may also include references to anticipated sales volume and product margins, efforts aimed at establishing new or improving existing relationships with customers, other business development activities, anticipated financial performance, business prospects and similar matters. Actual events or results may differ materially from the anticipated results or other expectations expressed in the forward-looking statements. In evaluating these statements, you should consider various factors, including the risks included from time to time in other reports or registration statements filed by the Company with the United States Securities and Exchange Commission. These factors may cause our actual results to differ materially from any forward-looking statements. We disclaim any obligation to publicly update these statements, or disclose any difference between actual results and those reflected in these statements.

Unless the context otherwise requires, references in this Form 10-Q to "we," "us," "our," or the "Company" refer to Hypersolar, Inc.

Overview

Inspired by the photosynthetic process that plants use to harness the power of the sun to create energy molecules, we are developing a novel solar-powered nanoparticle system that mimics photosynthesis to separate hydrogen from water. On November 15, 2011, we filed a patent application to protect the intellectual property rights to the production of renewable hydrogen and natural gas using sunlight, water, and carbon dioxide.

Hydrogen is the lightest and abundant chemical element, constituting roughly 75% of the universe's chemical elemental mass (Palmer, D. (13 September 1997). "Hydrogen in the Universe".NASA). However, naturally occurring elemental hydrogen is relatively rare on earth and hydrogen gas is most often produced using fossil fuels. Industrial production is mainly from the steam reforming of natural gas and is usually employed near its production site, with the two largest uses being crude oil processing (hydrocracking) and ammonia production, mostly for the fertilizer market. We are developing what we believe is a cleaner and greener way to produce this high value product.

In addition to the many industrial uses of hydrogen, one of the most intriguing uses, is for fuel cells for transportation. A fuel cell is a device that converts the chemical energy from a fuel into electricity through a chemical reaction with oxygen or another oxidizing agent, using hydrogen as the most common fuel. Although there are currently no fuel cell vehicles available for commercial sale, carmakers are hopeful that hydrogen fuel cells and infrastructure technologies will be developed in the future. (http://world.honda.com/FuelCell/)

Our research is centered on developing a low-cost and submersible hydrogen production particle that can split water molecules under the sun, emulating the core functions of photosynthesis. Each particle is a complete hydrogen generator that contains a novel high voltage solar cell bonded to chemical catalysts by a proprietary encapsulation coating. We are striving to reach an open circuit voltage goal of 1.5 to effectively split the water molecules to produce hydrogen with our technology.

Recent Developments

On February 11, 2014, we announced that our artificial photosynthesis technology is now capable of producing 1.2 volt open circuit voltage for use in direct solar hydrogen production. This achievement represents another 10% increase over the previous 1.1 volt reached and announced in December 2013.

On March 21, 2014 we filed a joint patent application with the University of California, Santa Barbara for the "method of manufacture of multi-junction artificial photosynthetic cells."

On April 4, 2014 we extended our Sponsored Research Agreement dated February 12, 2012, through December 31, 2014.

In January of 2014, we temporarily moved our administrative offices to the Synergy Business and Technology Center at 1 North Calle Cesar Chavez, Suite 102, Santa Barbara, CA 93103 due to construction at our building at 510 Castillo St, Suite 304, Santa Barbara, CA 93101. Our plan is to relocate back to our office at 510 Castillo St, Suite 304, Santa Barbara, CA 93101 in June of 2014. All mail is still received at the Castillo Street address.

Market Opportunity

Hydrogen has a number of applications from chemical processing, petroleum recovery and refining, metal production and fabrication, aerospace, and fuel cells. The sectors with the greatest demand for hydrogen are petroleum refineries for hydrocracking and ammonia production for fertilizer. Transportation fuel is an emerging sector which we believe has an enormous potential in the future. We believe fuel cell technology will be the major growth driver of hydrogen in the future as many major automobile manufacturers such as Honda, Hyundai, BMW and Toyota bring hydrogen powered cars to market.

Hydrogen production is a large and growing industry Market size of global hydrogen production was estimated to be 53 million metric tons in 2010, of which 12% was shared by merchant hydrogen and rest with captive production (Markets and Markets Research; Hydrogen Generation Market). With decreasing sulfur level in petroleum products, lowering crude oil quality and rising demand of hydrogen operated fuel cell applications, global hydrogen production volume is forecasted to grow by compound annual growth rate of 5.6% from 2011 to 2016. The hydrogen production market in terms of value was estimated to be approximately $82 billion in 2011. (Markets and Markets Research; Hydrogen Generation Market)

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to impairment of property, plant and equipment, intangible assets, deferred tax assets and fair value computation using the Black Scholes option pricing model. We base our estimates on historical experience and on various other assumptions, such as the trading value of our common stock and estimated future undiscounted cash flows, that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions; however, we believe that our estimates, including those for the above-described items, are reasonable.

Revenue Recognition

Revenue on product sales is recognized when persuasive evidence of an arrangement exists, such as when a purchase order or contract is received from the customer, the selling price is fixed, title to the goods has changed and there is a reasonable assurance of collection of the sales proceeds. We obtain written purchase authorizations from our customers for a specified amount of product at a specified price and consider delivery to have occurred at the time of shipment. Revenue is recognized at shipment and we record a reserve for estimated sales returns, which is reflected as a reduction of revenue at the time of revenue recognition.

Use of Estimates

In accordance with accounting principles generally accepted in the United States, management utilizes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates and assumptions relate to recording net revenue, collectibility of accounts receivable, useful lives and impairment of tangible and intangible assets, accruals, income taxes, inventory realization, stock-based compensation expense, Black Scholes valuation model inputs, and other factors. Management believes it has exercised reasonable judgment in deriving these estimates. Consequently, a change in conditions could affect these estimates.

Fair Value of Financial Instruments

The Company's cash, accounts payable, accrued interest, and note payable are stated at cost which approximates fair value due to the short-term nature of these instruments.

Recently Adopted Accounting Pronouncements

Management reviewed accounting pronouncements, and no pronouncements were adopted during the three months ended March 31, 2014.

Liquidity and Capital Resources

As of March 31, 2014, we had a working capital deficit of $13,324,153 as compared to $938,380 as of June 30, 2013. This increase in working capital deficit of $12,385,773 was due primarily to an increase in accrued expenses, convertible notes, and non-cash derivative liability, with a decrease in accounts payable.

Cash flow used in operating activities was $355,535 for the nine months ended March 31, 2014 and $277,774 for the prior period ended March 31, 2013. The decrease in cash used by operating activities was primarily due to a decrease in prepaid expenses, and accounts payable, with an increase in accrued expenses, loss on derivative liability, amortization of debt discount, and gain on settlement on debt. The Company is in its development stage and has had no revenues.

Cash used in investing activities for the nine months ended March 31, 2014 was $2,020, compared to $0 for the prior period ended March 31, 2013. The increase was due to purchases of tangible assets for the current period.

Cash provided by financing activities during the nine months ended March 31, 2014 was $397,500 and $278,480 for the prior period ended March 31, 2014. The increase in financing activities was due to equity financing with convertible notes through private placements during the current period.

Our financial statements as of March 31, 2014 have been prepared under the assumption that we will continue as a going concern from inception (February 18, 2009) through March 31, 2014. Our independent registered public accounting firm have issued their report dated September 27, 2013 that included an explanatory paragraph expressing substantial doubt in our ability to continue as a going concern without additional capital becoming available. Our ability to continue as a going concern ultimately is dependent on our ability to generate a profit which is dependent upon our ability to obtain additional equity or debt financing, attain further operating efficiencies and, ultimately, to achieve profitable operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We believe our current cash balance as of April 30, 2014 will fund our operations for the next sixty days as we continue working to develop a prototype of our technology. As a result of our inability to raise sufficient financing in our third fiscal quarter, our CEO and certain vendors have not been fully compensated for their services. We are seeking further financing through the sales of our securities. The sale of additional equity securities could result in additional dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. There can be no assurance that financing will be available in amounts and on terms acceptable to us, or at all. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders. If we are unable to obtain additional financing, we may be forced to curtail our operations.

PLAN OF OPERATION AND FINANCING NEEDS

Our plan of operation within the next twelve months is to further research, develop, and protect our technology.

In May of 2012, we completed a lab scale prototype of our technology that can be seen on our website at www.hypersolar.com This prototype demonstrates hydrogen production from small scale solar devices coated with our unique, low-cost polymer coating, and submerged in waste water from a pulp and paper mill. This prototype will be used for demonstration purposes only and is not meant for commercial deployment. We are currently underway in the development of a larger field-scale demonstration prototype. We do not expect to purchase any significant plant and equipment for completing the prototype.

In addition to working on a field-scale prototype, we intend to explore other utilizations of our most recently filed patent. This invention is related to coatings, processes, and systems for stable operation of electrical, electrochemical, photoelectrochemical and photosynthetic devices with increased efficiency, unprecedented long term operational stability, and low cost. The present invention provides a stable functional coating material which when disposed on an electroactive device stabilizes it from electrical/chemical/electrochemical/photo degradation providing exceptional operational performance. We are exploring several possible systems that could benefit including “stabilization of a solar battery” and “enhancement and possible replacement for platinum in a fuel cell.” We will be working with our research partner, University of California Santa Barbara, to further explore the potentially valuable opportunities from this invention.

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Results of Operations for the Three Months Ended March 31, 2014 compared to Three Months Ended March 31, 2013.

Operating Expenses

Operating expenses for the three months ended March 31, 2014 were $127,869 and $119,479 for the prior period ended March 31, 2014. The net increase in operating expenses consisted primarily of the research and development cost. The decrease was due to the Company utilizing less equity financing for services and reduction in cost associated with outside consultants.

Other Income/(Expenses)

Other income and (expenses) for the three months ended March 31, 2014 were $12,825,807 and $43,938 for the prior period ended March 31, 2014. The increase in other income and (expenses) was the result of an increase in net loss on change in fair value of the derivative instruments of $12,703,510, amortization of debt discount of $98,993, gain on settlement of debt of $25,293, and interest expense of $4,659. The increase in other income and (expenses) was due to the Company entering into debt financing with convertible promissory notes.

Net Loss

For the three months ended March 31, 2014, our net loss was $12,953,676 compared to a net loss of $163,417 for the prior period March 31, 2013. The increase in net loss was related primarily to other income and (expenses) due to non-cash cost associated with the derivatives. We recently began operating our business, and no revenues were generated to cover our operating costs, since we are in the development stage of our Company.

Results of Operations for the Nine Months Ended March 31, 2014 compared to Nine Months Ended March 31, 2013.

Operating Expenses

Operating expenses for the nine months ended March 31, 2014 were $407,157 and $499,796 for the prior period ended March 31, 2014. The net decrease in operating expenses consisted primarily of the investor relations and research and development cost. The decrease was due to the Company utilizing less equity financing for services and reduction in cost associated with outside consultants.

Other Income/(Expenses)

Other income and (expenses) for the nine months ended March 31, 2014 were $13,652,610 and $257,740 for the prior period ended March 31, 2014. The increase in income and (expenses) was the result of an increase in net loss on change in fair value of the derivative instruments of $13,169,460, amortization of debt discount of $228,198, gain on settlement of debt of $32,831, and interest expense of $20,043, with a decrease in forgiveness of debt of $10,000. The increase in other income and (expenses) was due to the Company entering into debt financing with convertible promissory notes.

Net Loss

For the nine months ended March 31, 2014, our net loss was $14,059,767 and $757,536 for the prior period March 31, 2013. The increase in net loss was related primarily to other income and (expenses) due to non-cash cost associated with the derivatives.

We recently began operating our business, and no revenues were generated to cover our operating costs, since we are in the development stage of our Company.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

N/A

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and (ii) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no change to our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM
1. Legal
Proceedings

None.

ITEM 1A . Risks Factors

There are no material changes from the risk factors previously disclosed in our annual report on Form 10-K/A filed with the SEC on October 31, 2013.

ITEM
2. Unregistered
Sales of
Equity
Securities

and Use of
Proceeds

During the three months ended March 31, 2014 the Company issued 92,946,407 shares of common stock upon conversion of promissory notes in the amount of $173,000 in principal, plus $14,336 in accrued interest.

During the three months ended March 31, 2014, the Company issued 16,629,724 shares of common stock upon a cashless conversion of 20,716,670 shares of common stock purchase warrants.

The Company relied on an exemption pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended in connection with the sale and issuances of its shares of common stock described above.

ITEM
3. Defaults
Upon
Senior
Securities

None.

ITEM
4. Mine
Safety
Disclosures

Not applicable.

ITEM
5. Other
Information

None.

ITEM
6. Exhibits

Exhibit No.	Description
31.1*	Certification of the Chief Executive Officer and Chief Financial Officer of Hypersolar, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer of Hypersolar, Inc., furnished pursuant to Section 1350 of Chapter 63 of 18 U.S.C. as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
EX-101.INS*	XBRL Instance Document
EX-101.SCH*	XBRL Taxonomy Extension Schema Document
EX-101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
EX-101.DEF*	XBRL Taxonomy Extension Definition Linkbase
EX-101.LAB*	XBRL Taxonomy Extension Labels Linkbase
EX-101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith

HYPERSOLAR, INC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HYPERSOLAR, INC.

May 15, 2014	By:	/s/ Timothy Young Timothy Young Chief Executive Officer and Acting Chief Financial Officer (Principal Executive Officer and Principal Financial and Accounting Officer)