

10 E. Yanonali St., Suite 36 Santa Barbara, CA 93101

(Address of principal executive offices) (Zip Code)

Issuer's telephone Number: **(805) 966-6566**

Securities registered under Section 12(b) of the Exchange Act: None.

Securities registered under Section 12(g) of the Exchange Act: common stock, par value \$0.001 per share

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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
No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or emerging growth company. See the definitions of "large accelerated filer," "accelerated

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filer,” “smaller reporting company” or emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated Filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act.

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

The aggregate market value of the common stock held by non-affiliates of the registrant, based upon the last sale price of the common stock of the Company as of the last business day of its most recently completed second fiscal quarter was approximately \$3,749,550.

The number of shares of registrant’s common stock outstanding, as of September 24, 2018 was 885,073,786.

DOCUMENTS INCORPORATED BY REFERENCE

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PART I

ITEM 1. BUSINESS.

Unless otherwise stated or the context requires otherwise, references in this annual report on Form 10-K to “Hypersolar”, the “Company”, “we”, “us”, or “our” refer to Hypersolar, Inc.

Overview

At HyperSolar, Inc., our goal is to replace all forms of energy on earth with renewable energy.

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 particle system that mimics photosynthesis to separate hydrogen from water.

Hydrogen is the lightest and most abundant chemical element, constituting roughly 75% of the universe’s chemical elemental mass (Palmer, D. (13 September 1997). “Hydrogen in the Universe.” NASA). In its purest form, hydrogen is a non-toxic colorless and odorless gas. 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.

Hydrogen (when used as a fuel), like electricity, is an energy carrier rather than an energy resource. We believe that if hydrogen was easily accessed from the earth and the world could depend on it for fuel, eliminating our reliance on fossil fuels such as oil, coal, and natural gas, our carbon footprint and global climate change issues would be erased.

Over 99% of hydrogen produced today is produced using a fossil fuel, methane (natural gas) in a method called steam reforming, SMR. Although commercially optimized over decades, the SMR process is capital intensive and will remain so due to the fundamental nature of the process which includes: (1) three separate reactors with different catalysts operating at different temperatures, (2) large amounts of heat transfer needed for the endothermic reforming and exothermic water gas shift, and (3) the need to remove all carbon oxides using capital and energy intensive methods. (source: Nikolaidis, P.; Poullikkas, A., A comparative overview of hydrogen production processes.

Renewable and Sustainable Energy Reviews 2017, 67, 597-611.)

Besides being capital intensive, the SMR method releases harmful levels of carbon dioxide into the air further contributing to our global climate crisis.

Despite the current method of production, the benefits of hydrogen for transportation emissions are far better than other fossil fuel alternatives of oil and gas, as the only emission of hydrogen is pure water. This fact dictates that we look for another method of making hydrogen to make it the world's premier fuel by producing it in a more sustainable green way.

Market Opportunity

We believe we are still in the early stages of the hydrogen fuel market development, and yet, this market continues to grow exponentially. One of the reasons for this growth is the adoption of hydrogen fuel technologies within an increased number of major industries and spanning many applications.

Market Growth

According to Grandview Research Report released in June of 2018, the global hydrogen generation market size is predicted to be valued at USD 180.2 billion by 2025. It is expected to expand at a CAGR of 5.8% over the forecast period. Rising demand for renewable sources of energy and safe fuels is projected to boost market growth.

Increasing adoption of hydrogen and growing awareness of the importance of energy conservation are expected to boost the global market for hydrogen generation by 2025. Rising efforts to shift focus from fossil fuels to renewable fuels is expected to further propel market expansion. Numerous countries are introducing stringent regulations to significantly reduce indiscriminate use of conventional fuels responsible for excessive greenhouse gas emissions. Hydrogen is among the most abundantly available elements on earth and it plays an important role in agriculture, fertilizer and chemical manufacturing, and pharmaceutical production among others. Over the next two decades, hydrogen is expected to be on par with electricity as an effective energy carrier. It is safely derived from renewable sources of energy and is effective in reducing emissions.

The merchant segment includes both small and large dealers, wholesalers, and companies deriving hydrogen as an excess byproduct. In terms of volume, captive hydrogen is the fastest growing segment with a CAGR of 9.2%. Captive is defined as on-site hydrogen generation, which eliminates numerous problems linked to conveyance and distribution of hydrogen. Therefore, the market is expected to grow substantially in future.

In terms of application, the steam methane reforming segment accounted for 68.8% of the global hydrogen generation market volume in 2016. In this method, methane containing raw material like natural gas is heated at a temperature between 700°C to 1,000°C, which produces hydrogen as a by-product. The coal gasification technology segment is anticipated to expand at a steady CAGR over the forecast period. Gasification of coal is one of the processes applied to produce liquid fuels, power, hydrogen, and chemicals. (Source: Grandview Research Report, June 2018)

It is within these industries that we believe our renewable hydrogen producing technology possesses significant market opportunity, especially as innovation and infrastructure continue to develop. This is further evidenced by studies that specifically address the fuel cell market, which was valued at \$3.21 billion in 2015, but expected to reach nearly \$25 billion by 2025 according to a Grand View Market report released in September 2018.

Hydrogen Fuel Cell Vehicles

One of the most recognized applications for hydrogen fuel technologies falls within the auto manufacturing and vehicles industries. The three leading manufacturers of hydrogen fuel cell vehicles (FCVs) are in order, Toyota,

Hyundai, and Honda – three internationally recognized companies. Industry reports cite the need for increased infrastructure, such as fueling stations, for the industry to garner even greater market acceptance. However, the same report indicates there will be 22.2 million hydrogen fuel cell vehicles sold or leased by 2032, driving revenues upwards of \$1.1 trillion.

(<https://www.researchandmarkets.com/reports/4200873/global-market-for-hydrogen-fuel-cell-vehicles>)

Blending Hydrogen into Natural Gas Networks and Hydrogen Storage

One of the areas of greatest potential for hydrogen fuel is its ability to be successfully integrated into existing natural gas pipelines. It is well documented that hydrogen storage maintains energy for longer periods of time. We believe that, were it to be produced cost effectively, utilities could use hydrogen to store and deploy energy produced via solar and wind through existing natural gas plants and pipelines, without having such strong dependency on fossil fuels as a backup.

Our Technology

Technology for Making Renewable Hydrogen from Sunlight

Hydrogen (H₂) is the third most abundant element on earth and cleanest fuel in the universe, (Dresselhaus, Mildred et al. (May 15, 2003). “Basic Research Needs for the Hydrogen Economy”). Unlike hydrocarbon fuels such as oil, coal and natural gas where carbon dioxide and other contaminants are released into the atmosphere when used, hydrogen fuel usage produces only pure water (H₂O) as the byproduct. Unfortunately, pure hydrogen does not exist naturally on earth and therefore must be manufactured. Historically, the cost of manufacturing hydrogen as an alternative fuel has been higher than the cost of the energy used to make it. This is the dilemma of the hydrogen economy, and one that we aim to address.

For over a century, splitting water molecules into hydrogen and oxygen using electrolysis has been well known. This technology can be used to produce an unlimited amount of clean and renewable hydrogen fuel to power a carbon-free world. However, in practice, current commercial electrolysis technologies require (a) expensive electricity and (b) highly purified water to prevent fouling of system components. We believe these are the major barriers to affordable production of renewable hydrogen.

The Perfect and Sustainable Energy Cycle

As it turns out, Mother Nature has been making hydrogen using sunlight since the beginning of time by splitting water molecules (H₂O) into its basic elements - hydrogen and oxygen. This is exactly what plant leaves do every day using photosynthesis. Since the produced hydrogen is immediately consumed inside the plant, we cannot simply grow trees to make hydrogen.

If technology can be developed to mimic photosynthesis to split water into hydrogen, we believe then a truly sustainable, low cost, and renewable energy cycle can be created to power the earth. However, cost has been the biggest barrier to realizing this vision.

Water Splitting

In the process of splitting a water molecule, input energy is transferred into the chemical bonds of the resulting hydrogen molecule. So in essence, manufactured hydrogen is simply a carrier or battery-like storage of the input energy. If the input energy is from fossil fuels, such as oil and gas, then carbon fossil fuel energy is simply transferred into hydrogen. If the input energy is renewable such as solar and wind, then new and clean energy is stored in hydrogen.

While the concept of water splitting is very appealing, the following challenges must be addressed for renewable hydrogen to be commercially viable:

Energy Inefficiency — Since hydrogen is an energy carrier, the most energy it can store is 100% of the input energy. However, conventional systems approach to electrolysis lose so much of the input energy in system components, wires and electrodes resulting in only a small portion of electricity making it into the hydrogen molecules. This translates to high production cost and is the fundamental problem with water splitting for hydrogen production. We intend to address this problem with our low cost and energy efficient particle technology.

Need for Clean Water — Conventional electrolysis requires highly purified clean water to prevent fouling of system components. This prevents current technology from using large quantities of available water from oceans, rivers, industrial waste and municipal waste as feedstock. Our technology is being designed to use any natural water or waste water for the unlimited production of renewable hydrogen.

Technology

Electrolysis water-splitting in its simplest form is the transfer of “input electrons” in the following chemical reactions:

Cathode (reduction): $2 \text{H}_2\text{O} + 2\text{e}^- \rightarrow \text{H}_2 + 2 \text{OH}^-$

Anode (oxidation): $4 \text{OH}^- \rightarrow \text{O}_2 + 2 \text{H}_2\text{O} + 4 \text{e}^-$

From these equations it can be deduced that if every input electron (e-) is put to work and not lost, then a maximum amount of input electrons (i.e. energy) is transferred and stored in the hydrogen molecules (H₂). Additionally, if there were a very high number of cathode and anode reaction areas within a given volume of water, then a very high number of these reactions could happen simultaneously throughout the medium to split each water molecule into hydrogen wherever electrons are available.

HyperSolar H2Generator™

Since our particles are intended to mimic the natural room temperature conditions of photosynthesis, they can be housed in very low-cost reactors such as glass vessels or clear plastic bags. To facilitate the commercial use of our self-contained particle technology we are developing a modular system that will enable the onsite daily production and storage of hydrogen for any time use in electricity generation.

We refer to our technology as the HyperSolar H2Generator which is comprised of the following components:

1. The Generator Housing - Novel (patent pending) is the first of its type to safely separate oxygen and hydrogen in the water splitting process without sacrificing efficiency. This device houses the water, the solar particles/cells and is designed with inlets and outlets for water and gasses. Utilizing a special membrane for separating the oxygen side from the hydrogen side, proton transport is increased which is the key to safely increasing solar-to-hydrogen efficiency. Our design can be scaled up and manufactured for commercial use.
2. The NanoParticle or Solar Cell - Our patented nanoparticle consists of thousands of tiny solar cells that are electrodeposited into one tiny structure to provide the charge that splits the water molecule when the sun excites the electron. In the process of optimizing our nanoparticles to be efficient and only use earth abundant materials, (an ongoing process), we experimented with commercially available triple junction silicon solar cells to perform tests with our generator housing and other components. Through this experimentation, our discovery makes us believe we can bring a system to market utilizing these readily available cells while our nanoparticles are still being optimized. These solar cells also absorb the sunlight and produce the necessary charge for splitting the water molecule to produce the hydrogen and oxygen.
3. Oxygen Evolution Catalyst - This proprietary catalyst developed at the University of Iowa lab is uniformly applied onto the solar cell or nanoparticle and efficiently collects holes to oxidize water molecule to generate oxygen gas. The oxygen evolution catalyst must be transparent to absorb the sun's energy or light. It must be stable in alkaline, neutral and acidic environments.
4. Hydrogen Evolution Catalyst - Necessary for collecting electrons to reduce protons for generating hydrogen gas, we recently announced the successful integration of a low-cost hydrogen catalyst into our generator system successfully coating a triple junction solar cell with a catalyst comprised primarily of ruthenium, carbon and nitrogen that can function as well as platinum, the current catalyst used for hydrogen production, but at a 20x reduced cost.
5. Transparent Conductive Coating - A patent pending coating to protect our nanoparticles and solar cells from photo corrosion and efficiently transfer charges to catalysts for oxygen and hydrogen evolution reactions.
6. A concentrator equal to two suns - This inexpensive Fresnel lens concentrator to increase sunlight to equal two suns reduces our necessary footprint for a 1000 KG per day system by 40%.

Our business and commercialization plan calls for two generations of our panels or generators. The **first generation** utilizes readily available commercial solar cells, coated with a stability polymer and catalysts, and inserted into our proprietary panels to efficiently and safely split water into hydrogen and oxygen to produce very pure and green hydrogen that can be piped off the panel, pressurized, and stored for use in a fuel cell to power anything electric.

The **second generation** of our panels will feature a nanoparticle based technology where billions of autonomous solar cells are electrodeposited onto porous alumina sheets and manufactured in a roll to roll process and inserted into our proprietary panels. For this generation, we have received multiple patents and it is estimated that it will produce hydrogen for less than \$4 per kilogram before pressurization.

Our team at the University of Iowa led by our CTO Dr. Joun Lee, has reach a milestone of 300 consecutive hours of continuous hydrogen production utilizing completely immersed solar cells with no external biases achieving simulated production equal to one year. We believe this to be a record for completely immersed cells. Now ready to take our technology out of the lab, we are working with several vendors to commercialize and manufacturer our first generation of renewable hydrogen panels that use sunlight and water to generate hydrogen. We are currently working towards building a pilot plant in 2019 adjacent to a large company distribution or fulfillment center so they can power their fuel cell forklifts and materials handling equipment with completely renewable hydrogen vs. having to transport steam reformed hydrogen where the production process emits tons of harmful emissions and must be transported.

We anticipate that the HyperSolar H2Generator will be a self-contained renewable hydrogen production system that requires only sunlight and any source of water. As a result, it can be installed almost anywhere to produce hydrogen fuel at or near the point of distribution, for local use. We believe this model of hydrogen production addresses one of the biggest challenges of using clean hydrogen fuel on a large scale which is the transportation of hydrogen.

Each stage of the HyperSolar H2Generator can be scaled independently according to the hydrogen demands and length of storage required for a specific application. A small-scale system can be used to produce continuous renewable electricity for a small house, or a large scale system can be used to produce hydrogen to power a community.

Intellectual Property

On November 15, 2011 we filed a provisional patent application with the U.S. Patent and Trademark Office to protect the intellectual property rights for “Photoelectrochemically Active Heterostructures, methods for their manufacture, and methods and systems for producing desired products.” On March 14, 2017, this patent was granted as United States Patent No. 9,593,053. The patent protects the Company’s proprietary design of a self-contained solar-to-hydrogen device made up of millions of solar powered water-splitting nanoparticles, per square centimeter. These nanoparticles are coated with a separate patent-pending protective coating that prevents corrosion during extended periods of hydrogen production. The aim of these nanoparticles is high conversion efficiency and low cost.

An important aspect of the patented technology is the integrated structures of high-density arrays of nano-sized solar cells as part of hydrogen production nanoparticles. The technology enables manufacturing of ultra-thin sheets for solar-to-hydrogen production, requiring substantially less material as compared to conventional solar cells used in rooftop power applications.

In September of 2012, we jointly filed with the University of California, Santa Barbara (“UCSB”) an additional patent application to protect the intellectual property rights of our proprietary coating for protecting our semiconductor devices from corrosion in various types of water. This patent was titled: “Process and Systems for Stable Operation of Electroactive Devices”. We abandoned this patent late in 2017 for budgetary reasons and utilization of a different method in our research and development.

In March of 2015, we jointly filed a full utility patent application with UCSB for the “method of manufacture of multi-junction artificial photosynthetic cells.” The patent’s full coverage excludes others from making, using, or selling the technology process, and creates licensing opportunities. This patent was granted in Australia in June of 2018 and we have received notice of allowance from the US Patent Office.

On December 21, 2016, we filed jointly with the University of Iowa a patent for “Integrated Membrane Solar Fuel Assembly” to protect the intellectual property for our generator housing system that safely separates oxygen and hydrogen in the water splitting process without sacrificing efficiency. This device houses the water, the solar particles/cells and is designed with inlets and outlets for water and gasses. Utilizing a special membrane for separating the oxygen side from the hydrogen side, proton transport is increased which is the key to safely increasing solar-to-hydrogen efficiency. In December of 2017, we filed the utility patent for this important invention and prosecution is ongoing.

Strategic Partners

Effective September 19, 2018, we entered a one-year agreement with GreenTech Development Corporation. This consulting firm will advise the Company the development and commercialization of the Company’s technology, and the ongoing operations of the company. In addition, they will aid the Company in solicitation and acquisition of the financing for the development and commercialization of the company’s technology as well as help identify potential engineering and construction firms that are qualified to design and build a pilot plant to test and operate the Company’s technology in a steady state condition. This Agreement may be terminated by either party at any time, for any or no reason, by written notice to the other party not less than thirty (30) days prior to the effective date of termination. In the event of such termination, Company will be obligated to pay Consultant any outstanding fees and expenses due under this Agreement only for or in connection with such services actually completed by Consultant and reasonably acceptable to Company as of the date of termination notice .

Competition

Currently, most hydrogen is produced by steam reforming of natural gas or methane. This production technology dominates due to easy availability and low prices of natural gas. Partial oxidation of petroleum oil is second in production capacity after steam reforming of natural gas. The third largest production technology in terms of production capacity is steam gasification of coal. The current industry is heavily dominated by large players such as Air Products and Chemicals Inc. and Air Liquide.

Green or Renewable hydrogen can be produced through electrolyzers if they are powered by solar or wind. There has been an emergence of these companies in the past few years. ITM Power in England and Proton Onsite in Norway are two of the largest companies in this industry. If not powered by solar panels or wind power, they require external electricity most likely created by coal, gas, or oil. We believe that our process when fully developed will offer a competitive advantage as it is completely green and renewable and utilizes no external power other than the sun.

Corporate Information

We were incorporated in the State of Nevada on February 18, 2009. Our executive offices are located at 10 E. Yanonali St., Suite 36, Santa Barbara, CA 93101.

EMPLOYEES

As of September 24, 2018 we had 1 full-time employee and several consultants. We have not experienced any work stoppages and we consider relations with our employees and consultants to be good. Our Chief Technology Officer hired on June 1, 2016 is on a fulltime consulting basis.

ITEM 1A. RISK FACTORS

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

OUR LIMITED OPERATING HISTORY DOES NOT AFFORD INVESTORS A SUFFICIENT HISTORY ON WHICH TO BASE AN INVESTMENT DECISION.

We were formed in February 2009 and are currently developing a new technology that has not yet gained market acceptance. There can be no assurance that at this time we will operate profitably or that we will have adequate working capital to meet our obligations as they become due.

Investors must consider the risks and difficulties frequently encountered by early stage companies, particularly in rapidly evolving markets. Such risks include the following:

competition;

need for acceptance of products;

ability to continue to develop and extend brand identity;

ability to anticipate and adapt to a competitive market;

ability to effectively manage rapidly expanding operations;

amount and timing of operating costs and capital expenditures relating to expansion of our business, operations, and infrastructure; and

dependence upon key personnel.

We cannot be certain that our business strategy will be successful or that we will successfully address these risks. In the event that we do not successfully address these risks, our business, prospects, financial condition, and results of operations could be materially and adversely affected and we may have to curtail our business.

WE HAVE A HISTORY OF LOSSES AND HAVE NEVER REALIZED REVENUES TO DATE. WE EXPECT TO CONTINUE TO INCUR LOSSES AND NO ASSURANCE CAN BE GIVEN THAT WE WILL REALIZE REVENUES. ACCORDINGLY, WE MAY NEVER ACHIEVE AND SUSTAIN PROFITABILITY.

As of June 30, 2018, we have incurred an aggregate net loss, and had an accumulated deficit, of \$(21,999,514). For the years ended June 30, 2018 and 2017, we incurred a net loss of \$(10,199,397) and net income of \$2,243,731, respectively. The net (loss) income for the years ended June 30, 2018 and 2017, included non-cash loss of (\$9,448,570) and non-cash income of \$2,845,916, respectively, associated with the Company's derivative instruments. We expect to continue to incur net losses until we are able to realize revenues to fund our continuing operations. We may fail to achieve any or significant revenues from sales or achieve or sustain profitability. Accordingly, there can be no assurance of when, if ever, we will be profitable or be able to maintain profitability.

We have historically raised funds through various capital raising transactions. We may require additional funds in the future to fund our business plans, either through additional equity or debt financings or collaborative agreements or from other sources. We have no commitments to obtain such additional financing, and we may not be able to obtain any such additional financing on terms favorable to us, or at all. In the event we are unable to obtain additional financing, we may be unable to implement our business plan. Even with such financing, we have a history of operating losses and there can be no assurance that we will ever become profitable.

WE MAY BE UNABLE TO MANAGE OUR GROWTH OR IMPLEMENT OUR EXPANSION STRATEGY.

We may not be able to develop our product or implement the other features of our business strategy at the rate or to the extent presently planned. Our projected growth will place a significant strain on our administrative, operational and financial resources. If we are unable to successfully manage our future growth, establish and continue to upgrade our operating and financial control systems, recruit and hire necessary personnel or effectively manage unexpected expansion difficulties, our financial condition and results of operations could be materially and adversely affected.

WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND COMMERCIALIZE OUR TECHNOLOGIES WHICH WOULD RESULT IN CONTINUED LOSSES AND MAY REQUIRE US TO CURTAIL OR CEASE OPERATIONS.

In May of 2012, we completed a lab scale prototype of our technology. 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. However, we have not completed a large scale commercial prototype of our technology and are uncertain at this time when completion of a commercial scale prototype will occur. Although, the

lab scale prototype demonstrates the viability of our technology, there can be no assurance that we will be able to commercialize our technology.

OUR REVENUES ARE DEPENDENT UPON ACCEPTANCE OF OUR PRODUCTS BY THE MARKET; THE FAILURE OF WHICH WOULD CAUSE US TO CURTAIL OR CEASE OPERATIONS.

We believe that virtually all of our revenues will come from the sale or license of our products. As a result, we will continue to incur substantial operating losses until such time as we are able to develop our product and generate revenues from the sale or license of our products. There can be no assurance that businesses and customers will adopt our technology and products, or that businesses and prospective customers will agree to pay for or license our products. Our technology and product, when fully developed, may not gain market acceptance due to various factors such as not enough cost savings between our method of producing hydrogen and other more conventional methods. In the event that we are not able to significantly increase the number of customers that purchase or license our products, or if we are unable to charge the necessary prices or license fees, our financial condition and results of operations will be materially and adversely affected.

WE FACE INTENSE COMPETITION, AND MANY OF OUR COMPETITORS HAVE SUBSTANTIALLY GREATER RESOURCES THAN WE DO.

We operate in a competitive environment that is characterized by price fluctuation and technological change. We will compete with major international and domestic companies. Some of our current and future potential competitors may have greater market recognition and customer bases, longer operating histories and substantially greater financial, technical, marketing, distribution, purchasing, manufacturing, personnel and other resources than we do. In addition, competitors may be developing similar technologies with a cost similar to, or lower than, our projected costs. As a result, they may be able to respond more quickly to changing customer demands or to devote greater resources to the development, promotion and sales of solar and solar-related products than we can.

Our business plan relies on sales of our products based on either a demand for truly renewable clean hydrogen or economically produced clean hydrogen. If we fail to compete successfully, our business would suffer and we may lose or be unable to gain market share. Neither the demand for our product nor our ability to manufacture have yet been proven.

BECAUSE OUR INDUSTRY IS HIGHLY COMPETITIVE AND HAS LOW BARRIERS TO ENTRY, WE MAY LOSE MARKET SHARE TO LARGER COMPANIES THAT ARE BETTER EQUIPPED TO WEATHER A DETERIORATION IN MARKET CONDITIONS DUE TO INCREASED COMPETITION.

Our industry is highly competitive and fragmented, subject to rapid change and has low barriers to entry. We may, in the future, compete for potential customers with solar and heating companies and other providers of solar power equipment or electric power. Some of these competitors may have significantly greater financial, technical and marketing resources and greater name recognition than we have.

We believe that our ability to compete depends in part on a number of factors outside of our control, including:

the ability of our competitors to hire, retain and motivate qualified personnel;

the ownership by competitors of proprietary tools to customize systems to the needs of a particular customer;

the price at which others offer comparable services and equipment;

the extent of our competitors' responsiveness to customer needs; and

installation technology.

Competition in the solar power services industry may increase in the future, partly due to low barriers to entry, as well as from other alternative energy resources now in existence or developed in the future. Increased competition could result in price reductions, reduced margins or loss of market share and greater competition for qualified personnel. There can be no assurance that we will be able to compete successfully against current and future competitors. If we are unable to compete effectively, or if competition results in a deterioration of market conditions, our business and results of operations would be adversely affected.

A DROP IN THE RETAIL PRICE OF CONVENTIONAL ENERGY OR NON-SOLAR ALTERNATIVE ENERGY SOURCES MAY NEGATIVELY IMPACT OUR PROFITABILITY.

We believe that a customer's decision to purchase or install solar power capabilities is primarily driven by the cost of electricity from other sources and their anticipated return on investment resulting from solar power systems. Fluctuations in economic and market conditions that impact the prices of conventional and non-solar alternative energy sources, such as decreases in the prices of oil and other fossil fuels, could cause the demand for solar power systems to decline, which would have a negative impact on our profitability. Changes in utility electric rates or net metering policies could also have a negative effect on our business.

OUR BUSINESS DEPENDS ON PROPRIETARY TECHNOLOGY THAT WE MAY NOT BE ABLE TO PROTECT AND MAY INFRINGE ON THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS.

Our success will depend, in part, on our technology's commercial viability and on the strength of our intellectual property rights. We currently hold patents in the US and Australia, but still have several patents pending in multiple countries. There is no guarantee the pending patents will be granted. In addition, any agreements we enter into with our employees, consultants, advisors, customers and strategic partners will contain restrictions on the disclosure and use of trade secrets, inventions and confidential information relating to our technology may not provide meaningful protection in the event of unauthorized use or disclosure.

Third parties may assert that our technology, or the products we, our customers or partners commercialize using our technology, infringes upon their proprietary rights. We have yet to complete an infringement analysis and, even if such an analysis were available at the current time, it is virtually impossible for us to be certain that no infringement exists, particularly in our case where our products have not yet been fully developed.

We may need to acquire licenses from third parties in order to avoid infringement. Any required license may not be available to us on acceptable terms, or at all.

We could incur substantial costs in defending ourselves in suits brought against us for alleged infringement of another party's intellectual property rights as well as in enforcing our rights against others, and if we are found to infringe, the manufacture, sale and use of our or our customers' or partners' products could be enjoined. Any claims against us, with or without merit, would likely be time-consuming, requiring our management team to dedicate substantial time to addressing the issues presented. Furthermore, the parties bringing claims may have greater resources than we do.

WE DO NOT MAINTAIN THEFT OR CASUALTY INSURANCE AND ONLY MAINTAIN MODEST LIABILITY AND PROPERTY INSURANCE COVERAGE AND THEREFORE, WE COULD INCUR LOSSES AS A RESULT OF AN UNINSURED LOSS.

We do not maintain theft, casualty insurance, or property insurance coverage. We cannot assure that we will not incur uninsured liabilities and losses as a result of the conduct of our business. Any such uninsured or insured loss or liability could have a material adverse effect on our results of operations.

IF WE LOSE KEY EMPLOYEES AND CONSULTANTS OR ARE UNABLE TO ATTRACT OR RETAIN QUALIFIED PERSONNEL, OUR BUSINESS COULD SUFFER.

Our success is highly dependent on our ability to attract and retain qualified scientific, engineering and management personnel. We are highly dependent on our CEO, Timothy Young, and our development team at the University of Iowa. The loss of this valuable resource could have a material adverse effect on our operations. Our officers are employed on "at will" basis. Accordingly, there can be no assurance that they will remain associated with us. Our management's efforts will be critical to us as we continue to develop our technology and as we attempt to transition from a development stage company to a company with commercialized products and services. If we were to lose Mr. Young or the services of the development team at the university or any other key employees or consultants, we may experience difficulties in competing effectively, developing our technology and implementing our business strategies.

THE LOSS OF STRATEGIC ALLIANCES USED IN THE DEVELOPMENT OF OUR PRODUCTS AND TECHNOLOGY COULD IMPEDE OUR ABILITY TO COMPLETE OUR PRODUCT AND RESULT IN A MATERIAL ADVERSE EFFECT CAUSING THE BUSINESS TO SUFFER.

We pursue strategic alliances with other companies in areas where collaboration can produce technological and industry advancement. We have entered into the sponsored research agreement with the University of Iowa which is set to terminate May 31, 2019. If we are unable to extend the terms of the agreements, we could suffer delays in product development or other operational difficulties which could have a material adverse effect on our results of operations.

THERE IS SUBSTANTIAL DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN.

Our independent public accounting firm in their report dated September 25, 2018 included an explanatory paragraph expressing substantial doubt in our ability to continue as a going concern without additional capital becoming available. Going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time. 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. As a result, our financial statements do not reflect any adjustment which would result from our failure to continue to operate as a going concern. Any such adjustment, if necessary, would materially affect the value of our assets.

RISKS RELATING TO OUR COMMON STOCK

BECAUSE THERE IS A LIMITED MARKET IN OUR COMMON STOCK, STOCKHOLDERS MAY HAVE DIFFICULTY IN SELLING OUR COMMON STOCK AND OUR COMMON STOCK MAY BE SUBJECT TO SIGNIFICANT PRICE SWINGS.

There is a very limited market for our common stock. Since trading commenced in May 26, 2010, there has been little activity in our common stock and on some days there is no trading in our common stock. Because of the limited market for our common stock, the purchase or sale of a relatively small number of shares may have an exaggerated effect on the market price for our common stock. We cannot assure stockholders that they will be able to sell common stock or, that if they are able to sell their shares, that they will be able to sell the shares in any significant quantity at the quoted price.

WE DO NOT EXPECT TO PAY DIVIDENDS IN THE FUTURE; ANY RETURN ON INVESTMENT MAY BE LIMITED TO THE VALUE OF OUR COMMON STOCK.

We do not currently anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as the Board of Directors may consider relevant. Our current intention is to apply net earnings, if any, in the foreseeable future to increasing our capital base and development and marketing efforts. There can be no assurance that the Company will ever have sufficient earnings to declare and pay dividends to the holders of our common stock, and in any event, a decision to declare and pay dividends is at the sole discretion of the our Board of Directors. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

OUR COMMON STOCK COULD BE SUBJECT TO EXTREME VOLATILITY.

The trading price of our common stock may be affected by a number of factors, including events described in the risk factors set forth in this report, as well as our operating results, financial condition and other events or factors. In addition to the uncertainties relating to future operating performance and the profitability of operations, factors such as variations in interim financial results or various, as yet unpredictable, factors, many of which are beyond our control, may have a negative effect on the market price of our common stock. In recent years, broad stock market indices, in general, and smaller capitalization companies, in particular, have experienced substantial price fluctuations. In a volatile market, we may experience wide fluctuations in the market price of our common stock and wide bid-ask spreads. These fluctuations may have a negative effect on the market price of our common stock. In addition, the

securities market has, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

THERE IS A LARGE NUMBER OF AUTHORIZED BUT UNISSUED SHARES OF CAPITAL STOCK AVAILABLE FOR ISSUANCE, WHICH MAY RESULT IN SUBSTANTIAL DILUTION TO EXISTING SHAREHOLDERS.

Our Certificate of Incorporation authorizes the issuance of up to 3,000,000,000 shares of common stock, par value \$0.001 and 5,000,000 shares of preferred stock, par value \$0.001, of which 885,073,786 shares of common stock and no shares of preferred stock are currently outstanding as of September 21, 2018. Our Board of Directors has the ability to authorize the issuance of an additional 2,114,926,213 shares of common stock and 5,000,000 shares of preferred stock without shareholder approval. Any such issuance will result in substantial dilution to existing shareholders. In addition, the availability of such a large number of capital stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company.

WE HAVE NEVER PAID COMMON STOCK DIVIDENDS AND HAVE NO PLANS TO PAY DIVIDENDS IN THE FUTURE, AS A RESULT OUR COMMON STOCK MAY BE LESS VALUABLE BECAUSE A RETURN ON AN INVESTOR'S INVESTMENT WILL ONLY OCCUR IF OUR STOCK PRICE APPRECIATES.

Holders of shares of our common stock are entitled to receive such dividends as may be declared by our Board of Directors. To date, we have paid no cash dividends on our shares of common stock and we do not expect to pay cash dividends on our common stock in the foreseeable future. We intend to retain future earnings, if any, to provide funds for operations of our business. Therefore, any return investors in our common stock will be in the form of appreciation, if any, in the market value of our shares of common stock. There can be no assurance that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

IF OUR COMMON STOCK REMAINS SUBJECT TO THE SEC'S PENNY STOCK RULES, BROKER-DEALERS MAY EXPERIENCE DIFFICULTY IN COMPLETING CUSTOMER TRANSACTIONS AND TRADING ACTIVITY IN OUR SECURITIES MAY BE ADVERSELY AFFECTED.

Unless our common stock is listed on a national securities exchange, including the Nasdaq Capital Market, or we have stockholders' equity of \$5,000,000 or less and our common stock has a market price per share of less than \$4.00, transactions in our common stock will be subject to the SEC's "penny stock" rules. If our common stock remains subject to the "penny stock" rules promulgated under the Securities Exchange Act of 1934, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected.

In accordance with these rules, broker-dealers participating in transactions in low-priced securities must first deliver a risk disclosure document that describes the risks associated with such stocks, the broker-dealer's duties in selling the stock, the customer's rights and remedies and certain market and other information. Furthermore, the broker-dealer must make a suitability determination approving the customer for low-priced stock transactions based on the customer's financial situation, investment experience and objectives. Broker-dealers must also disclose these restrictions in writing to the customer, obtain specific written consent from the customer, and provide monthly account statements to the customer. The effect of these restrictions will probably decrease the willingness of broker-dealers to make a market in our common stock, decrease liquidity of our common stock and increase transaction costs for sales and purchases of our common stock as compared to other securities. Our management is aware of the abuses that have occurred historically in the penny stock market.

As a result, if our common stock becomes subject to the penny stock rules, the market price of our securities may be depressed, and you may find it more difficult to sell our securities.

WE MAY NEED ADDITIONAL CAPITAL, AND THE SALE OF ADDITIONAL SHARES OR OTHER EQUITY OR CONVERTIBLE DEBT SECURITIES COULD RESULT IN ADDITIONAL DILUTION TO OUR STOCKHOLDERS.

If our resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. 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. Financing may not be available in amounts and on terms acceptable to us, or at all. In addition, the successful execution of our business plan requires significant cash resources, including cash for investments and acquisition. Changes in business conditions and future developments could also increase our cash requirements. To the extent we are unable to obtain external financing, we will not be able to execute our business plan effectively, if 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.

ITEM 2. PROPERTIES.

Our principal office is located at 10 E. Yanonali, Suite 36, Santa Barbara, CA, 93101. We believe that our current premises are sufficient to handle our activities for the near future as adequate lab space and equipment is attained through our agreement with the University of Iowa

ITEM 3. LEGAL PROCEEDINGS.

We are not currently a party to, nor is any of our property currently the subject of, any pending legal proceeding that will have a material adverse effect on our business.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

PART II

**ITEM MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER
5. PURCHASES OF EQUITY SECURITIES.**

Our common stock is quoted on the OTC Pink under the symbol “HYSR”

For the periods indicated, the following table sets forth the high and low close prices per share of common stock. These high and low close prices represent prices quoted by broker-dealers on the OTC Markets. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

Period	High	Low
First Quarter FY 2018	\$01	\$.008
Second Quarter FY 2018	\$.009	\$.005
Third Quarter FY 2018	\$.018	\$.005
Fourth Quarter FY 2018	\$.018	\$.009
First Quarter FY 2017	\$.0112	\$.0080
Second Quarter FY 2017	\$.0102	\$.0099
Third Quarter FY 2017	\$.0101	\$.0096
Fourth Quarter FY 2017	\$.0095	\$.0091

Securities

Our Articles of Incorporation, as amended, authorizes the issuance of 3,000,000,000 shares of common stock, \$0.001 par value per share and 5,000,000 shares of preferred stock, par value \$0.001 per share.

All outstanding shares of common stock are of the same class and have equal rights and attributes. The holders of our common stock are entitled to one vote per share on all matters submitted to a vote of our stockholders. All stockholders are entitled to share equally in dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally available. In the event of liquidation, the holders of our common stock are entitled to share ratably in all assets remaining after payment of all liabilities. The stockholders do not have cumulative or preemptive rights.

As of September 20, 2018, our common stock was held by 72 stockholders of record and we had 885,073,786 shares of common stock issued and outstanding. We believe that the number of beneficial owners is substantially greater than the number of record holders because a significant portion of our outstanding common stock is held of record in broker street names for the benefit of individual investors. The transfer agent of our common stock is Computershare Trust Company N.A., 250 Royall Street Canton, MA 02021.

Dividend Policy

We have never declared or paid any cash dividends on our common stock. We do not anticipate paying any cash dividends to stockholders in the foreseeable future. In addition, any future determination to pay cash dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements, and such other factors as the Board of Directors deem relevant. There are no restrictions in our articles of incorporation or bylaws that restrict us from declaring dividends.

Securities Authorized For Issuance Under Equity Compensation Plans

We do not have any compensation plans or arrangements under which equity securities are authorized for issuance.

Recent Sales of Unregistered Securities

During the three months ended June 30, 2018, the Company issued 42,019,125 shares of common stock upon conversion of \$144,700 in principal, plus accrued interest of \$43,447.

The Company relied on an exemption pursuant to Rule 506 of Regulation D and/or 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.

Issuer Purchases of Equity Securities

None.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Cautionary Statement Regarding Forward-Looking Statements

The information in this discussion may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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," "potential," or "continue", the negative of the terms or other comparable terminology. Unless the context otherwise requires, references in this Form 10-K to "we," "us," "our," or the "Company" refer to HyperSolar, Inc. 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 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.

Management Discussion

Currently, the strategy of partnering with the University of Iowa and our past relationship with University of California, Santa Barbara, has advanced our technology significantly. We anticipate continuing this strategy of leveraging our existing relationships, as well as potentially exploring others with leading universities and strategic partners, to continue developing our technology.

In addition to the university teams, in June of 2016, we hired Dr. Joun Lee to be our chief-technologist to work closely with the teams and drive progress. Dr. Lee is based in the lab at the University of Iowa.

In early 2018, we announced two generations of our primary hydrogen generation systems that will produce renewable hydrogen.

The **first generation** utilizes readily available commercial solar cells, coated with a stability polymer and catalysts, and inserted into our patent pending hydrogen generation panels to efficiently and safely split water into hydrogen and oxygen to produce very pure and green hydrogen that can be piped off the panel, pressurized, and stored for use in a fuel cell to power anything electric.

The **second generation** of our panels will feature a nanoparticle based technology where billions of autonomous solar cells are electrodeposited onto porous alumina sheets and manufactured in a roll to roll process and inserted into our proprietary panels. For this generation, we have received multiple patents and it will produce hydrogen for less than \$4 per kilogram before pressurization and have a much higher solar-to-hydrogen efficiency. We are developing this technology to be inserted into our existing panel or housing

Our team at the University of Iowa led by our CTO Dr. Joun Lee have set world records for continuous hydrogen production utilizing completely immersed solar cells with no external biases achieving simulated production equal to one year. Now ready to take our technology out of the lab, we are working with several vendors to commercialize and manufacturer our first generation of renewable hydrogen panels that use sunlight and water to generate hydrogen. We are currently working towards building a pilot plant in 2019 adjacent to a Walmart distribution center or similar fulfillment center so they can power their fuel cell forklifts and materials handling equipment with completely renewable hydrogen vs. having to transport steam reformed hydrogen where the production process emits tons of harmful emissions and must be transported.

In addition, we are continuing to increase our stability of the solar cells and improve our solar-to-hydrogen efficiency. We are continuing to research and develop new coating techniques and ways to manufacture our hydrogen panels in mass scale.

To further develop and showcase the first generation of our hydrogen panels, in September 2018, we hired GreenTech Development Corporation, a consulting firm to advise the Company the development and commercialization of the Company's technology, and the ongoing operations of the company. In addition, they will aid the Company in solicitation and acquisition of the financing for the development and commercialization of the company's technology as well as help identify potential engineering and construction firms that are qualified to design and build a pilot plant to test and operate the Company's technology in a steady state condition.

Results of Operations for the Year Ended June 30, 2018 compared to the Year Ended June 30, 2017.

Operating Expenses

Operating expenses consists primarily of research and development expenses and general and administrative expenses incurred in connection with the operation our business. For the year ended June 30, 2018 operating expenses were \$750,827 and \$602,185 for the prior period ended June 30, 2017. The net increase of \$148,642 in operating expenses consisted primarily of research and development costs in the amount of \$105,452 together with an overall increase in other general and administrative expenses of \$38,499, which included non-cash stock compensation expense of \$28,713.

Other Income/(Expenses)

Other income and (expenses) for the year ended June 30, 2018 were \$(9,448,570) and \$2,845,916 for the prior period ended June 30, 2017. The decrease of \$(12,294,486) in other income and (expenses) was the result of a decrease in net gain on change in fair value of our derivative instruments of \$12,121,739, net decrease in interest expense of \$11,731, which includes amortization of debt discount of \$37,236, with an increase in fair value loss on conversion of debt of \$184,478. The net increase in other income and (expenses) was due to the loss in change in derivative liability.

Net Loss

For the year ended June 30, 2018, our net loss was \$(10,199,397) as compared to a net income of \$2,243,731 for the prior period June 30, 2017. The decrease in net income was related primarily to other income and (expenses) due to a decrease in non-cash cost associated with the derivative liability created by the Company's outstanding convertible notes. The Company has not generated any revenues.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. Significant factors in the management of liquidity are funds generated by operations, levels of accounts receivable and accounts payable and capital expenditures.

As of June 30, 2018, we had a working capital deficit of \$11,741,054 as compared to \$3,141,945 as of June 30, 2017. This increase in working capital deficit of \$8,599,109 was due primarily to an increase in cash, accrued expenses, non-cash derivative liability, offset by a decrease in prepaid expenses, accounts payable, and the issuance of additional convertible notes.

During the year ended June 30, 2018, we raised an aggregate of \$745,000 in an offering of unsecured convertible notes. During the prior period ended June 30, 2017, we raised an aggregate of \$575,000 through the sale of unsecured convertible notes. Our ability to continue as a going concern is dependent upon our ability to raise capital from financing transactions and future revenue.

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Cash flow used in operating activities was \$708,831 for the year ended June 30, 2018 and \$573,299 for the prior period ended June 30, 2017. The increase in cash used by operating activities was primarily due to an increase in research and development cost. The Company has had no revenues.

Cash used in investing activities for the year ended June 30, 2018 and 2017 was \$18,976 and \$41,455, respectively. During the current period ended June 30, 2018, the Company purchased a computer.

Cash provided by financing activities during the year ended June 30, 2018 was \$745,000 and \$575,000 for the prior period ended June 30, 2017. The increase in financing activities was due to the increase in issuance of convertible notes through private placement offerings during the current period.

During the year ended June 30, 2018, we did not generate any revenue, incurred a net loss of \$10,199,397, which was primarily due to the non-cash loss associated with the debt financing of \$9,448,570, and used cash in the amount of \$708,831 in our operations. As of June 30, 2018, we had a working capital deficiency of \$11,741,054 and a shareholders' deficit of \$13,015,436. These factors, among others raise substantial doubt about our ability to continue as a going concern. Our independent auditors, Liggett & Webb P.A, in their report dated September 25, 2018, on our audited financial statements for the year ended June 30, 2018 expressed substantial doubt about our ability to continue as a going concern. The ability of us to continue as a going concern and appropriateness of using the going concern basis 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.

We have historically obtained funding from our shareholders, through private placement offerings of equity and debt securities. Management believes that it will be able to continue to raise funds through the sale of its securities to its existing shareholders and prospective new investors which will provide the additional cash needed to meet the Company's obligations as they become due, and will allow the Company to continue to develop its core business. There can be no assurance that we will be able to continue raising the required capital for our operations and if available, on terms and conditions that are acceptable. If we are unable to obtain sufficient funds, we may be forced to curtail and/or cease the development of our technology.

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, result of operations, liquidity or capital expenditures.

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.

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, useful lives and impairment of tangible and intangible assets, derivatives, accruals, income taxes, stock-based compensation expense, Black Scholes valuation model inputs, binomial 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

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 June 30, 2018, the amounts reported for cash, accrued interest and other expenses, notes payables, and derivative liability approximate the fair value because of their short maturities.

We adopted ASC Topic 820 for financial instruments measured as fair value on a recurring basis. ASC Topic 820 defines fair value, established a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and expands disclosures about fair value measurements.

Recently Adopted Accounting Pronouncements

Management adopted recently issued accounting pronouncements during the year ended June 30, 2018, as disclosed in the Notes to the financial statements included in this report.

ITEM 7B. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS.

All financial information required by this Item is attached hereto at the end of this report beginning on page F-1 and is hereby incorporated by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our CEO and our Acting CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our CEO and our Acting CFO concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective to ensure that information required to be disclosed is made known to management and others, as appropriate, to allow timely decision regarding required disclosure and that the information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 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 CEO and Acting CFO, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Management's Annual Report on Internal Control over Financial Reporting.

We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2018 based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of June 30, 2018, based on those criteria.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permanently exempts smaller reporting companies.

Changes in Internal Controls.

We have also evaluated our internal control over financial reporting, and there has been no change in our internal control over financial reporting that occurred during the last fiscal quarter of fiscal year ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

On September 19, 2018, the Company entered into a consulting agreement (the "Consulting Agreement") with GreenTech Development Corporation (the "Consultant"), a Wyoming Corporation. Pursuant to the Consulting

Agreement, Consultant shall:

Advise the Company on the development and commercialization of the Company's technology;
Aid in the solicitation and acquisition of the financing for the development and commercialization of the Company's technology, and the ongoing operations of the Company;
Help seek and identify potential engineering and construction firms that are qualified to design and build a pilot plant to test and operate the Company's technology in a steady state condition, and to negotiate the Company's arrangement with the chosen firm;
Aid in the identification of and the establishment of a contractual relationship with a host company with which the Company can establish and operate its pilot plant; and
Advise the Company's CEO in the allocation of Company resources and in any other functions that the CEO chooses.

In exchange for its consulting services, the Consultant will receive a monthly retainer of \$10,000 at the first of each month. Consultant may be paid additional bonus compensation based on its performance, at the sole discretion of the Company.

The foregoing description of the terms of the Consulting Agreement is not complete and is qualified in its entirety by reference to the full text of the Consulting Agreement, which is filed as Exhibit 10.14 to this Form 10-K and is incorporated by reference herein.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CORPORATE GOVERNANCE

The following table sets forth information about our executive officers, key employees and directors:

Name	Age	Position
Timothy Young	53	President, CEO, Acting CFO and Chairman of the Board of Directors
Mark J. Richardson	65	Director

Timothy Young – President, CEO, Acting CFO and Chairman of the Board of Directors

Tim Young is an accomplished executive with over fifteen years of management experience in media and Internet technology companies. Mr. Young was appointed President, CEO and Chairman of the Company in August 2009. Mr. Young was appointed Acting CFO in 2010.

Mr. Young oversees the Company's research and development initiatives and fundraising efforts.

From September 2007 through August 2009, Mr. Young was the President of Rovion, Inc., an internet media startup company, where he increased revenues through a channel sales strategy that included companies such as Clear Channel, Disney, CBS, and Fox Television and bolstered the company's technical capabilities through strategic acquisitions. Prior to Rovion, Mr. Young was employed by Time Warner Inc. from October 1998 through July 2007, where he served as Vice President and Regional Vice President of various divisions including America Online and Time Warner Cable.

Mr. Young's track record of success and over fifteen plus years of management and leadership experience bringing new products to the market, qualifies him to be a board member of HyperSolar, Inc.

Mark J. Richardson –Director

Mr. Richardson was appointed as a director in June 2018. Mr. Richardson has been a securities lawyer since he graduated from the University of Michigan Law School in 1978. He practiced as an associate and partner in large law firms until 1993, when he established his own practice under the name Richardson & Associates. He has been the principal securities counsel on a variety of equity and debt placements for corporations, partnerships, and real estate companies. His practice includes public and private offerings, venture capital placements, debt restructuring, compliance with federal and state securities laws, representation of publicly traded companies, Nasdaq filings, corporate law, partnerships, joint ventures, mergers, asset acquisitions, and stock purchase agreements. As a partner in a major international law firm in the 1980's, Mr. Richardson participated in the leveraged buyout and recapitalization of a well-known producer of animated programming for children, financed by Prudential Insurance and Bear Stearns, Inc. He was also instrumental in restructuring the public debentures of a real estate company without resorting to a bankruptcy proceeding. From 1986 to 1993 Mr. Richardson was a contributing author to State Limited Partnerships Laws – California Practice Guide, Prentice Hall Law and Business. Prior to receiving his Juris Doctor degree cum laude from the University of Michigan Law School in 1978, Mr. Richardson received a Bachelor of Science degree summa cum laude in Resource Economics from the University of Michigan School of Natural Resources in 1975, where he earned the Bankstrom Prize for academic excellence and achieved Phi Beta Kappa honors. Mr. Richardson is an active member of the Los Angeles County and California State Bar Associations, including the Section on Corporations, Business and Finance and the Section on Real Estate.

The Board has determined that Mr. Richardson is qualified to serve as a director because of his extensive experience as a practicing attorney representing small companies.

FAMILY RELATIONSHIPS

There are no family relationships among our executive officers and directors.

Board Leadership Structure and Role in Risk Oversight

Although we have not adopted a formal policy on whether the Chairman and Chief Executive Officer positions should be separate or combined, we have traditionally determined that it is in the best interests of the Company and its shareholders to combine these roles. Currently, we have only one executive officer, who is our Chief Executive Officer, who also serves as Chairman of the Board. Due to the small size and early stage of the Company, we believe it is currently most effective to have the Chairman and Chief Executive Officer positions combined.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past ten years, none of our directors, executive officers, promoters, control persons, or nominees has been:

the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or any Federal or State authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities;

found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law.

the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of (a) any Federal or State securities or commodities law or regulation; (b) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (c) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any

registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

COMMITTEES OF THE BOARD

Due to the small size of the Company and its Board of Directors, we currently have no audit committee, compensation committee or nominations and governance committee of our board of directors. We do not have an audit committee financial expert.

CODE OF ETHICS

We have adopted a Code of Ethics that applies to all of our directors, officers and employees. A copy of the Code of Ethics can be obtained without charge upon request to Timothy Young, CEO and President, 10 E. Yanonali, Suite 36, Santa Barbara, CA 93101 and is also being incorporated by reference herein. Any waiver of the provisions of the Code of Ethics for executive officers and directors may be made only by the Board of Directors. Any such waivers will be promptly disclosed to our shareholders.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that our officers and directors, and persons who beneficially own more than ten percent of a registered class of our equity securities, file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and persons owning more than ten percent of such securities are required by Commission regulation to file with the Commission and furnish the Company with copies of all reports required under Section 16(a) of the Exchange Act. To our knowledge, based solely upon our review of the copies of such reports furnished to us, during the fiscal year ended June 30, 2018, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners were complied with.

CHANGES IN NOMINATING PROCEDURES

None.

ITEM 11. EXECUTIVE COMPENSATION.

The table below sets forth the compensation earned by each person acting as our Principal Executive Officer and our other most highly compensated executive officers whose total annual compensation exceeded \$100,000 during the last two fiscal years.

Name & Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Timothy Young,	2018	\$255,000	0	0	0	0	0	0	\$255,000
CEO and Acting CFO	2017	\$255,000	0	0	0	0	0	0	\$255,000

General

At no time during the last fiscal year with respect to any person listed in the table above was there:

any outstanding option or other equity-based award re-priced or otherwise materially modified (such as by extension of exercise periods, the change of vesting or forfeiture conditions, the change or elimination of applicable performance criteria, or the change of the bases upon which returns are determined);

any waiver or modification of any specified performance target, goal or condition to payout with respect to any amount included in non-stock incentive plan compensation or payouts;

any option or equity grant; and

any non-equity incentive plan award made to a named executive officer.

Outstanding Equity Awards at Fiscal Year-End

There were no grants of options to purchase our common stock to the named executive officers at June 30, 2018.

EMPLOYMENT AGREEMENTS

Our CEO, Timothy Young is employed as an “at-will” employee whose employment with the Company may be terminated at any time by either party. We have agreed to pay Mr. Young an annual salary of \$255,000, subject to modification in accordance with the Company’s policies, practices and procedures. In addition, we have agreed to pay Mr. Young three months base salary, in the event his employment is terminated by the Company. Mr. Young is eligible to receive a quarterly bonus as determined by the Company’s Board of Directors and to participate in any benefit plan implemented by the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information concerning the number of shares of our common stock owned beneficially based on 885,073,787 issued and outstanding shares of common stock as of the date of this Annual Report by: (i) each of our directors; (ii) each of our named executive officers; and (iii) each person or group known by us to beneficially own more than 5% of our outstanding shares of common stock.

We believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

A person is deemed to be the beneficial owner of securities that can be acquired by him within 60 days from the date of this report upon the exercise of options, warrants or convertible securities. Each beneficial owner’s percentage ownership is determined by assuming that options, warrants or convertible securities that are held by him, but not those held by any other person, and which are exercisable within 60 days of September 14, 2018 have been exercised and converted.

Name and address	Shares of Common Stock	Percentage of Common Stock (1)	
Directors and Officers (2)			
Timothy A. Young	10,000,000	1.43	%
Mark R. Richardson	0	0	%
All Officers and Directors as a Group (2 person)	10,000,000	1.43	%

(1) Based upon 885,073,786 shares issued and outstanding as of September 21, 2018.

(2) The address for each of the officers and directors is c/o HyperSolar, Inc. 10 E. Yanonali, Suite 36, Santa Barbara, CA 93101

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Certain Relationships and Related Transactions

Since the beginning of our last fiscal year, there have been and there are no currently proposed transaction, in which we are or were a participant and the amount involved exceeds \$120,000, and in which any related person had or will have a direct or indirect material interest.

Director Independence

The Board has determined that Mr. Richardson is an independent director within the meaning of NASDAQ Rule 5605(a)(2).

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees

The aggregate fees billable to us by Liggett & Webb P.A. during 2018 and 2017 for the audit of our annual financial statements and quarterly reviews of our financial statements for the fiscal years totaled approximately \$23,000 and \$23,000, respectively.

Audit-Related Fees

We incurred assurance and audit-related fees during 2018 and 2017 of \$0 and \$0 to Liggett & Webb P.A. in connection with the audit of the financial statements of the Company for the years ended June 30, 2018 and 2017.

Tax Fees

We did not incur fees for services rendered to us for tax compliance, tax advice, or tax planning for the fiscal years ended June 30, 2018 and 2017.

All Other Fees

As of the date of this filing, our current policy is to not engage Liggett & Webb P.A to provide, among other things, bookkeeping services, appraisal or valuation services, or international audit services. The policy provides that we engage Liggett & Webb P.A to provide audit, and other assurance services, such as review of SEC reports or filings.

ITEM 15. EXHIBITS.

Exhibit No.	Description
3.1	<u>Articles of Incorporation of HyperSolar, Inc. filed with the Nevada Secretary of State on February 18, 2009 (incorporated by reference to the Company's registration on Form S-1 filed with the Securities and Exchange Commission on February 5, 2010).</u>
3.2	<u>Articles of Amendment of Articles of Incorporation of HyperSolar, Inc. filed with the Nevada Secretary of State on September 11, 2009 (incorporated by reference to the Company's registration on Form S-1 filed with the Securities and Exchange Commission on February 5, 2010).</u>
3.3	<u>Articles of Amendment of Articles of Incorporation of HyperSolar, Inc. filed with the Nevada Secretary of State on November 21, 2013 (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 21, 2013).</u>
3.4	<u>Certificate of Designation of Series A Preferred Stock with the Secretary of State of Nevada filed on July 12, 2018. (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 13, 2018)</u>
3.5*	<u>Articles of Amendment of Articles of Incorporation of Hypersolar, Inc. filed with the Nevada Secretary of State on September 13, 2018.</u>
3.4	<u>Bylaws of HyperSolar, Inc. (incorporated by reference to the Company's registration on Form S-1 filed with the Securities and Exchange Commission on February 5, 2010).</u>
10.1	<u>Amendment No. 7 to Research Agreement between Hypersolar, Inc. and the Regents of the University of California, University of California, Santa Barbara dated April 26, 2017 (incorporated by reference to the Company's annual report on Form 10-K filed with the Securities and Exchange Commission on September 21, 2016).</u>
10.2	<u>Contract between Hypersolar, Inc. and the University of Iowa dated as of May 1, 2016 (incorporated by reference to the Company's annual report on Form 10-K filed with the Securities and Exchange Commission on September 21, 2016).</u>
10.3	<u>Offer of Employment to Timothy Young dated August 13, 2009 (incorporated by reference to the Company's registration on Form S-1 filed with the Securities and Exchange Commission on March 25, 2010)</u>
10.4	<u>Invention Transfer dated as of June 10, 2009 (incorporated by reference to the Company's registration on Form S-1 filed with the Securities and Exchange Commission on March 25, 2010)</u>
10.5	<u>Convertible Promissory Note dated May 23, 2014 (incorporated by reference to the Company's quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 15, 2018)</u>
10.6	

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Convertible Promissory Note dated April 9, 2015 (incorporated by reference to the Company's quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 15, 2018)

10.7 Convertible Promissory Note dated January 28, 2016 (incorporated by reference to the Company's quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 15, 2018)

10.8 Convertible Promissory Note dated February 3, 2017 (incorporated by reference to the Company's quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 15, 2018)

10.9 Convertible Promissory Note dated November 10, 2017 (incorporated by reference to the Company's quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 15, 2018)

10.10 Convertible Promissory Note dated July 27, 2018 (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 29, 2018)

10.11 Securities Purchase Agreement dated as of July 23, 2018 between the Company and Power Up Lending Group Ltd. (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 6, 2018)

10.12 Convertible Promissory dated July 23, 2018 (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 6, 2018)

- 10.13 Promissory Note issued August 10, 2018 (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 14, 2018)
- 10.14* Consulting Agreement dated as of September 19, 2018 between the Company and GreenTech Development Corporation
- 10.15* Agreement dated as of June 1, 2018 between the Company and The University of Iowa, Iowa City, Iowa
- 14 Code of Ethics (incorporated by reference to the Company's annual report on Form 10-K filed with the Securities and Exchange Commission on September 28, 2012).
- 31.1* Certification by Chief Executive Officer and Acting Chief Financial Officer pursuant to Sarbanes-Oxley Section 302
- 32.1* Certification by Chief Executive Officer and Acting Chief Financial Officer pursuant to 18 U.S.C. Section 1350

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**

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HYPERSOLAR, INC.

Date: September 25, 2018 By: /s/ Timothy Young

CHIEF EXECUTIVE OFFICER, PRESIDENT (PRINCIPAL EXECUTIVE
OFFICER),
ACTING CHIEF FINANCIAL OFFICER (PRINCIPAL ACCOUNTING AND
FINANCIAL OFFICER) AND CHAIRMAN

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

HyperSolar, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of HyperSolar, Inc. (the “Company”) as of June 30, 2018 and 2017, the related statements of operations, shareholders’ deficit, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Company’s Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company does not generate revenue and has negative cash flows from operations. This raises substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting in accordance with the standards of the PCAOB. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion in accordance with the standards of the PCAOB.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Liggett & Webb,
P.A.

We have served as the Company's auditor since 2014.
New York, New York
September 25, 2018

HYPERMOLAR, INC.

BALANCE SHEETS

	June 30, 2018	June 30, 2017
ASSETS		
CURRENT ASSETS		
Cash	\$97,326	\$80,133
Prepaid expense	3,942	4,167
TOTAL CURRENT ASSETS	101,268	84,300
PROPERTY & EQUIPMENT		
Computers and peripherals	8,100	6,218
Less: accumulated depreciation	(6,427)	(6,218)
NET PROPERTY AND EQUIPMENT	1,673	-
OTHER ASSETS		
Deposits	900	900
Domain, net of amortization of \$3,514 and \$3,160, respectively	1,801	2,155
Patents, net of amortization of \$4,642 and \$0, respectively	90,930	78,478
TOTAL OTHER ASSETS	93,631	81,533
TOTAL ASSETS	\$196,572	\$165,833
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$111,088	\$103,112
Accrued expenses	467,822	401,626
Derivative liability	10,857,698	2,482,842
Convertible promissory notes, net of debt discount of \$144,286 and \$66,335, respectively	405,714	238,665
TOTAL CURRENT LIABILITIES	11,842,322	3,226,245
LONG TERM LIABILITIES		
Convertible promissory notes, net of debt discount of \$5,114 and \$38,514, respectively	1,369,686	1,189,486
TOTAL LONG TERM LIABILITIES	1,369,686	1,189,486

TOTAL LIABILITIES	13,212,008	4,415,731
COMMITMENTS AND CONTINGENCIES (SEE NOTE 8)	-	-
SHAREHOLDERS' DEFICIT		
Preferred Stock, \$0.001 par value; 5,000,000 authorized preferred shares, no shares issued or outstanding	-	-
Common Stock, \$0.001 par value; 1,000,000,000 authorized common shares 852,458,018 and 699,483,259 shares issued and outstanding, respectively	852,458	699,483
Additional Paid in Capital	8,131,620	6,850,736
Accumulated deficit	(21,999,514)	(11,800,117)
TOTAL SHAREHOLDERS' DEFICIT	(13,015,436)	(4,249,898)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 196,572	\$ 165,833

The accompanying notes are an integral part of these audited financial statements

HYPERMOLAR, INC.

STATEMENTS OF OPERATIONS

	Years Ended	
	June 30, 2018	June 30, 2017
REVENUE	\$-	\$-
OPERATING EXPENSES		
General and administrative expenses	499,884	461,385
Research and development cost	245,738	140,286
Depreciation and amortization	5,205	514
TOTAL OPERATING EXPENSES	750,827	602,185
LOSS FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES)	(750,827)	(602,185)
OTHER INCOME/(EXPENSES)		
Loss on conversion of debt	(945,943)	(761,465)
(Loss) Gain on change in derivative liability	(8,168,061)	3,953,678
Interest expense	(334,566)	(346,297)
TOTAL OTHER (EXPENSES) INCOME	(9,448,570)	2,845,916
NET (LOSS) INCOME	\$(10,199,397)	\$2,243,731
BASIC (LOSS) EARNINGS PER SHARE	\$(0.013)	\$0.004
DILUTED (LOSS) EARNINGS PER SHARE	\$(0.013)	\$0.002
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING		
BASIC	758,786,508	637,798,226
DILUTED	758,786,508	960,785,068

The accompanying notes are an integral part of these audited financial statements

HYPER-SOLAR, INC.

STATEMENTS OF SHAREHOLDERS' DEFICIT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Preferred stock Shares	Amount	Common stock Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at June 30, 2016	-	-	589,552,961	589,553	5,655,520	(14,043,848)	(7,798,775)
Issuance of common stock for conversion of debt and accrued interest	-	-	109,930,298	109,930	1,192,529	-	1,302,459
Stock based compensation	-	-	-	-	2,687	-	2,687
Net income	-	-	-	-	-	2,243,731	2,243,731
Balance at June 30, 2017	-	\$ -	699,483,259	\$699,483	\$6,850,736	\$(11,800,117)	\$(4,249,898)
Issuance of common stock for conversion of debt and accrued interest	-	-	152,974,759	152,975	1,252,171	-	1,405,146
Stock based compensation cost	-	-	-	-	28,713	-	28,713
Net loss	-	-	-	-	-	(10,199,397)	(10,199,397)
Balance at June 30, 2018	-	\$ -	852,458,018	\$852,458	\$8,131,620	\$(21,999,514)	\$(13,015,436)

The accompanying notes are an integral part of these audited financial statements

HYPERMOLAR, INC.

STATEMENTS OF CASH FLOWS

	Years Ended	
	June 30, 2018	June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$(10,199,397)	\$2,243,731
Adjustment to reconcile net (loss) income to net cash used in operating activities		
Depreciation & amortization expense	5,205	514
Stock based compensation	28,713	2,687
Loss (Gain) on change in derivative liability	8,168,061	(3,953,677)
Loss on conversion of debt	945,943	761,464
Amortization of debt discount recorded as interest expense	162,243	199,479
(Increase) Decrease in change in assets:		
Prepaid expense	225	(4,167)
Increase (Decrease) in change in liabilities:		
Accounts payable	7,977	29,851
Accrued expenses	172,199	146,819
NET CASH USED IN OPERATING ACTIVITIES	(708,831)	(573,299)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,882)	-
Purchase of intangible assets	(17,094)	(41,455)
NET CASH USED IN INVESTING ACTIVITIES:	(18,976)	(41,455)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible notes payable	745,000	575,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	745,000	575,000
NET INCREASE (DECREASE) IN CASH	17,193	(39,754)
CASH, BEGINNING OF YEAR	80,133	119,887
CASH, END OF YEAR	\$97,326	\$80,133
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$38	\$-
Taxes paid	\$-	\$-

SUPPLEMENTAL DISCLOSURES OF NON CASH TRANSACTIONS

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Fair value of common stock upon conversion of convertible notes and accrued interest	\$1,405,146	\$1,302,459
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The accompanying notes are an integral part of these audited financial statements

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HYPER SOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

1. ORGANIZATION AND LINE OF BUSINESS

Organization

HyperSolar, Inc. (the “Company”) was incorporated in the state of Nevada on February 18, 2009. The Company, based in Santa Barbara, California, began operations on February 19, 2009 to develop and market a solar concentrator technology.

Line of Business

The company is currently developing a novel solar-powered nanoparticle system that mimics photosynthesis to separate hydrogen from water. We intend for technology of this system to be licensed for the production of renewable hydrogen to produce renewable electricity and hydrogen for fuel cells.

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 historically obtained funds through private placement offerings of equity and debt. Management believes that it will be able to continue to raise funds by sale of its securities to its existing shareholders and prospective new investors to 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.

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.

Property and Equipment

Property and equipment are stated at cost, and are depreciated using straight line over its estimated useful lives:

Computers and peripheral equipment 5 Years

Depreciation expense for the years ended June 30, 2018 and 2017 was \$209 and \$159, respectively.

Stock based Compensation

The Company measures the cost of employee services received in exchange for an equity award based on the grant-date fair value of the award. All grants under our stock-based compensation programs are accounted for at fair value and that cost is recognized over the period during which an employee, consultant, or director are required to provide service in exchange for the award (the vesting period). Compensation expense for options granted to employees and non-employees is determined in accordance with the standard as the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measured. Compensation expense for awards granted is re-measured each period.

Determining the appropriate fair value of the stock-based compensation requires the input of subjective assumptions, including the expected life of the stock-based payment and stock price volatility. The Company used the Black

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Scholes pricing model to value the stock option awards which incorporate the Company's stock price, volatility, U.S. risk-free rate, dividend rate, and estimated life. On March 31, 2015, the Company granted 250,000 stock options with an exercise price of \$0.02245 per share, which have fully vested and expires March 31, 2020. On October 2, 2017, the Company granted an additional 10,000,000 stock options with an exercise price of \$0.01 per share, which vest one third (1/3) immediately, and the remaining vest one third (1/3) each year thereafter and expire October 2, 2022.

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HYPERMOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

The Company has patent applications to protect the inventions and processes behind its proprietary bio-based back-sheet, a protective covering for the back of photovoltaic solar modules traditionally made from petroleum-based film. During the years ended June 30, 2018 and 2017, the Company reviewed the capitalized patents for impairment in accordance with ASC 350, and determined there was no impairment. Intangible assets that have finite useful lives continue to be amortized over their useful lives.

	Useful Lives	6/30/2018	6/30/2017
	15 years		
Domain-gross		\$ 5,315	\$ 5,315
Less accumulated amortization		(3,514)	(3,160)
Domain-net		\$ 1,801	\$ 2,155
Patents-gross		\$ 95,572	\$ 78,478
Less accumulated amortization		(4,642)	-
Patents-net		\$ 90,930	\$ 78,478

The Company recognized amortization expense of \$4,996 and \$355 for the years ended June 30, 2018 and 2017.

Net Earnings (Loss) per Share Calculations

Net earnings (Loss) per share dictates the calculation of basic earnings (loss) per share and diluted earnings per share. Basic earnings (loss) per share are computed by dividing by the weighted average number of common shares outstanding during the year. Diluted net earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the effect of stock options and stock-based awards (Note 4), plus the assumed conversion of convertible debt (Note 5).

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For the year ended June 30, 2018, the Company calculated the dilutive impact of the outstanding stock options of 10,250,000, and the convertible debt of \$1,924,800, which is convertible into shares of common stock. The stock options and the convertible debt were not included in the calculation of net earnings per share, because their impact was antidilutive.

For the year ended June 30, 2017, the Company calculated the dilutive impact of the outstanding stock options of 250,000, and the convertible debt of \$1,533,000, which is convertible into shares of common stock. The stock options of \$250,000, and the convertible debt of \$1,228,000 were included in the calculation of net earnings per share, because their impact was dilutive. The remaining \$305,000 in convertible debt was not included in the calculation of net earnings per share, because the impact was anti-dilutive.

	For the years ended June 30, 2018	2017
Income (Loss) to common shareholders (Numerator)	\$ (10,199,397)	\$ 2,243,731
Basic weighted average number of common shares outstanding (Denominator)	758,786,508	637,798,226
Diluted weighted average number of common shares outstanding (Denominator)	758,786,508	960,785,068

Fair Value of Financial Instruments

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 June 30, 2018, the amounts reported for cash, accrued interest and other expenses, notes payables, and derivative liability approximate the fair value because of their short maturities.

We adopted ASC Topic 820 for financial instruments measured as fair value on a recurring basis. ASC Topic 820 defines fair value, established a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and expands disclosures about fair value measurements.

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 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

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HYPERMOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

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 June 30, 2018 and 2017 (See Note 6):

	Total	(Level 1)	(Level 2)	(Level 3)
Liabilities				
Derivative liability measured at fair value at 6/30/2018	\$10,857,698	\$ -	\$ -	\$10,857,698
Derivative liability measured at fair value at 6/30/2017	\$2,482,842	\$ -	\$ -	\$2,482,842

The following is a reconciliation of the derivative liability for which Level 3 inputs were used in determining the approximate fair value:

Balance as of June 30, 2016	\$6,230,102
Fair value of derivative liabilities issued	206,418
Gain on change in derivative liability	(3,953,678)
Balance as of July 1, 2017	\$2,482,842

Fair value of derivative liabilities issued	206,795
Loss on change in derivative liability	8,168,061
Balance as of June 30, 2018	\$10,857,698

Research and Development

Research and development costs are expensed as incurred. Total research and development costs were \$245,738 and \$140,286 for the years ended June 30, 2018 and 2017, respectively.

Income Taxes

Deferred income taxes are provided using the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates of the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than (50%) fifty percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

HYPERSOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Derivatives

The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company uses a probability weighted average series Binomial lattice formula pricing models to value the derivative instruments at inception and on subsequent valuation dates.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 (twelve) months of the balance sheet date.

Recently Issued Accounting Pronouncements

In May 2017, FASB issued accounting standards update ASU-2017-09, “Compensation-Stock Compensation” (Topic 718) –Modification Accounting”, to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation-Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments in this ASU are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period for public entities for reporting periods for which financial statements have not yet been issued, and all other entities for reporting periods for which financial statements have not yet been made available for issuance. The Company is currently evaluating the impact of the adoption of ASU 2017-09 on the Company’s financial statements.

In August 2017, FASB issued accounting standards update ASU-2017-12, “D” (Topic 815) – “Targeted Improvements to Accounting for Hedging Activities”, to require an entity to present the earnings effect of the hedging instrument in the same statement line item in which the earnings effect of the hedged item is reported. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. For all

other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods with the fiscal years beginning after December 15, 2020. Early adoption is permitted in any interim period after issuance of the update. The Company is currently evaluating the impact of the adoption of ASU-2017 on the Company's financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying condensed financial statements.

3. CAPITAL STOCK

During the year ended June 30, 2018, the Company issued 152,974,759 shares of common stock upon conversion of convertible notes in the amount of \$353,200 in principal, plus accrued interest of \$106,003, with an aggregate fair value loss on settlement of \$945,943, based upon conversion prices of \$0.0070 and \$0.0165.

During the year ended June 30, 2017, the Company issued 109,930,298 shares of common stock upon the conversion of \$426,363 in principal, plus accrued interest of \$114,631, with an aggregate fair value loss of \$761,465 at prices ranging from \$0.01 to \$0.0145.

4. STOCK OPTIONS

Options

As of June 30, 2018, 10,250,000 non-qualified common stock options were outstanding. Each option expires on the date specified in the option agreement, which date is not later than the fifth (5th) anniversary from the grant date of the options. As of June 30, 2018, 250,000 options are fully vested with a maturity date of March 31, 2020, and are exercisable at an exercise price of \$0.02245 per share, and 10,000,000 non-qualified common stock options, which vest one-third immediately, and one-third the second and third year, whereby, the options are fully vested with a maturity date of October 2, 2022, and are exercisable at an exercise price of \$0.01 per share.

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

	6/30/2018		6/30/2017	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of period	250,000	\$ 0.0103	500,000	\$ 0.03

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Granted	10,000,000	-	-	-
Exercised	-	-	-	-
Forfeited/Expired	-	-	(250,000)	\$ 0.04
Outstanding, end of period	10,250,000	\$ 0.0103	250,000	\$ 0.02
Exercisable at the end of period	3,583,333	\$ 0.0095	250,000	\$ 0.02

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HYPERMOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

4. STOCK OPTIONS (Continued)

The weighted average remaining contractual life of options outstanding as of June 30, 2018 and 2017 was as follows:

6/30/2018				6/30/2017			
Exercisable Price	Stock Options Outstanding	Stock Options Exercisable	Weighted Average Remaining Contractual Life (years)	Exercisable Price	Stock Options Outstanding	Stock Options Exercisable	Weighted Average Remaining Contractual Life (years)
\$0.02	250,000	250,000	1.75	\$0.02	250,000	250,000	2.50
\$0.01	10,000,000	3,333,333	4.26	\$-	-	-	-
	10,250,000	3,583,333			250,000	250,000	

The stock-based compensation expense recognized in the statement of operations during the year ended June 30, 2018 and 2017, related to the granting of these options was \$28,713 and \$2,688, respectively.

5. CONVERTIBLE PROMISSORY NOTES

As of June 30, 2018, the outstanding convertible promissory notes are summarized as follows:

Convertible Promissory Notes, net of debt discount	\$ 1,775,400
Less current portion	405,714
Total long-term liabilities	\$ 1,369,686

Maturities of long-term debt for the next three years are as follows:

Years Ending June 30,	Amount
2019	\$-
2020	24,800
2021	540,000
2022	609,886
2023	195,000
	\$ 1,369,686

At June 30, 2018, the \$1,924,800 in convertible promissory notes had a remaining debt discount of \$149,400, leaving a net balance of \$1,775,400.

On May 23, 2014, the Company issued a 10% convertible promissory note (the “May Note”) in the aggregate principal amount of up to \$500,000. Upon execution of the convertible promissory note, the Company received a tranche of \$50,000. The Company received additional tranches in the amount of \$415,000 for an aggregate sum of \$465,000. The May Note matured on May 23, 2015 and was extended to February 23, 2016. A second extension was granted to November 23, 2016. On January 19, 2017, the investor extended the May Note for an additional sixty (60) months from the effective date of each tranche, which matures on November 23, 2021. The May 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 to acquire common stock. If the Company fails to deliver shares in accordance with the timeframe of three (3) business days of the receipt of a notice of conversion, the lender, at any time prior to selling all of those shares, may rescind any portion, in whole or in part of that particular conversion attributable to the unsold shares and have the rescinded conversion amount returned to the principal sum with the rescinded conversion shares returned to the Company. In no event shall the lender be entitled to convert any portion of the May Note such that would result in beneficial ownership by the lender and its affiliates of more than 4.99% of the outstanding shares of common stock of the Company. In addition, for each conversion, in the event that shares are not delivered by the fourth business day (inclusive of the day of conversion), a penalty of \$1,500 per day shall be assessed for each day after the third business day (inclusive of the day of the conversion) until the shares are delivered. The Company issued 115,737,890 shares of common stock upon conversion of \$228,000 in principal, plus accrued interest of \$68,642, with an aggregate fair value loss of \$945,943. The May Note as of June 30, 2018 was converted in full.

HYPERSOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

5. CONVERTIBLE PROMISSORY NOTES (Continued)

On April 9, 2015, the Company issued a 10% convertible promissory note (the “April Note”) in the aggregate principal amount of up to \$500,000. Upon execution of the convertible promissory note, the Company received a tranche of \$50,000. The Company received additional tranches in the amount of \$450,000 for an aggregate sum of \$500,000. The April Note matured nine (9) months from the effective dates of each respective tranche. A second extension was granted to October 9, 2016. On January 19, 2017, the investor extended the April Note for an additional (60) months from the effective date of each tranche, which matures on January 28, 2021. The April Note is convertible into shares of common stock of the Company at a price equal to a variable conversion price of the lesser of \$0.01 per share or fifty percent (50%) of the lowest trading price since the original effective date of each respective advance or the lowest effective price per share granted to any person or entity after the effective date to acquire common stock. If the Company fails to deliver shares in accordance with the timeframe of three (3) business days of the receipt of a notice of conversion, the lender, at any time prior to selling all of those shares, may rescind any portion, in whole or in part of that particular conversion attributable to the unsold shares and have the rescinded conversion amount returned to the principal sum with the rescinded conversion shares returned to the Company. In no event shall the lender be entitled to convert any portion of the April Note such that would result in beneficial ownership by the lender and its affiliates of more than 4.99% of the outstanding shares of common stock of the Company. In addition, for each conversion, in the event that shares are not delivered by the fourth business day (inclusive of the day of conversion), a penalty of \$1,500 per day shall be assessed for each day after the third business day (inclusive of the day of the conversion) until the shares are delivered. During the period ended June 30, 2018, the Company issued 37,236,868, upon conversion of 125,200, plus accrued interest of \$37,362, with a fair value loss of \$262,704. The balance of the April Note as of June 30, 2018 was \$374,800.

On January 28, 2016, the Company issued a 10% convertible promissory note (the “January Note”) in the aggregate principal amount of up to \$500,000. Upon execution of the convertible promissory note, the Company received a tranche of \$10,000. The Company received additional tranches in the amount of \$490,000 for an aggregate sum of \$500,000. The January Note matures twelve (12) months from the effective dates of each respective tranche. On January 19, 2017, the investor extended the January Note for an additional sixty (60) months from the effective date of each tranche, which matures on January 27, 2022. The January Note is convertible into shares of common stock of the Company at a price equal to a variable conversion price of the lesser of \$0.01 per share or fifty percent (50%) of the lowest trading price since the original effective date of each respective tranche or the lowest effective price per share granted to any person or entity after the effective date to acquire common stock. If the Company fails to deliver shares in accordance with the timeframe of three (3) business days of the receipt of a notice of conversion, the lender, at any time prior to selling all of those shares, may rescind any portion, in whole or in part of that particular conversion attributable to the unsold shares and have the rescinded conversion amount returned to the principal sum with the rescinded conversion shares returned to the Company. In no event shall the lender be entitled to convert any portion of

the January Note such that would result in beneficial ownership by the lender and its affiliates of more than 4.99% of the outstanding shares of common stock of the Company. In addition, for each conversion, in the event that shares are not delivered by the fourth business day (inclusive of the day of conversion), a penalty of \$1,500 per day shall be assessed for each day after the third business day (inclusive of the day of the conversion) until the shares are delivered. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$38,514 during the year ended June 30, 2018. The balance of the January Note as of June 30, 2018 was \$500,000.

On February 3, 2017, the Company issued a 10% convertible promissory note (the "February Note") in the aggregate principal amount of up to \$500,000. Upon execution of the convertible promissory note, the Company received a tranche of \$60,000. The Company received additional tranches in the amount of \$440,000 for an aggregate sum of \$500,000. The February Note matures twelve (12) months from the effective dates of each respective tranche. The February Note matures on February 3, 2018, with an automatic extension of sixty (60) months from the effective date of each tranche. The February Note is convertible into shares of common stock of the Company at a price equal to a variable conversion price of the lesser of \$0.01 per share or fifty percent (50%) of the lowest trading price since the original effective date of each respective tranche or the lowest effective price per share granted to any person or entity after the effective date to acquire common stock. If the Company fails to deliver shares in accordance with the timeframe of three (3) business days of the receipt of a notice of conversion, the lender, at any time prior to selling all of those shares, may rescind any portion, in whole or in part of that particular conversion attributable to the unsold shares and have the rescinded conversion amount returned to the principal sum with the rescinded conversion shares returned to the Company. In no event shall the lender be entitled to convert any portion of the February Note such that would result in beneficial ownership by the lender and its affiliates of more than 4.99% of the outstanding shares of common stock of the Company. In addition, for each conversion, in the event that shares are not delivered by the fourth business day (inclusive of the day of conversion), a penalty of \$1,500 per day shall be assessed for each day after the third business day (inclusive of the day of the conversion) until the shares are delivered. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$92,870 during the year ended June 30, 2018. The balance of the February Note as of June 30, 2018 was \$500,000.

HYPERSOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

5. CONVERTIBLE PROMISSORY NOTES (Continued)

On November 9, 2017, for the sale of a 10% convertible promissory note (the “November Note”) in the aggregate principal amount of up to \$500,000. Upon execution of the convertible promissory note, the Company received a tranche of \$45,000. The Company received additional tranches in the amount of \$455,000 for an aggregate sum of \$500,000. The November Note matures twelve (12) months from the effective dates of each respective tranche. The November Note matures on November 9, 2018, with an automatic extension of sixty (60) months from the effective date of each tranche. The November Note is convertible into shares of common stock of the Company at a price equal to a variable conversion price of the lesser of \$0.01 per share or fifty percent (50%) of the lowest trading price since the original effective date of each respective tranche or the lowest effective price per share granted to any person or entity after the effective date to acquire common stock. If the Company fails to deliver shares in accordance with the timeframe of three (3) business days of the receipt of a notice of conversion, the lender, at any time prior to selling all of those shares, may rescind any portion, in whole or in part of that particular conversion attributable to the unsold shares and have the rescinded conversion amount returned to the principal sum with the rescinded conversion shares returned to the Company. In no event shall the lender be entitled to convert any portion of the November Note such that would result in beneficial ownership by the lender and its affiliates of more than 4.99% of the outstanding shares of common stock of the Company. In addition, for each conversion, in the event that shares are not delivered by the fourth business day (inclusive of the day of conversion), a penalty of \$1,500 per day shall be assessed for each day after the third business day (inclusive of the day of the conversion) until the shares are delivered. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$30,671 during the year ended June 30, 2018. The balance of the November Note as of June 30, 2018 was \$500,000.

On June 27, 2018, for the sale of a 10% convertible promissory note (the “June Note”) in the aggregate principal amount of up to \$500,000. Upon execution of the convertible promissory note, the Company received a tranche of \$50,000. The June Note matures twelve (12) months from the effective dates of each respective tranche. The June Note matures on June 27, 2019, with an automatic extension of sixty (60) months from the effective date of each tranche. The June Note is convertible into shares of common stock of the Company at a price equal to a variable conversion price of the lesser of \$0.01 per share or fifty percent (50%) of the lowest trading price since the original effective date of each respective tranche or the lowest effective price per share granted to any person or entity after the effective date to acquire common stock. If the Company fails to deliver shares in accordance with the timeframe of three (3) business days of the receipt of a notice of conversion, the lender, at any time prior to selling all of those shares, may rescind any portion, in whole or in part of that particular conversion attributable to the unsold shares and have the rescinded conversion amount returned to the principal sum with the rescinded conversion shares returned to the Company. In no event shall the lender be entitled to convert any portion of the June Note such that would result in beneficial ownership by the lender and its affiliates of more than 4.99% of the outstanding shares of common stock of the Company. In addition, for each conversion, in the event that shares are not delivered by the fourth business day

(inclusive of the day of conversion), a penalty of \$1,500 per day shall be assessed for each day after the third business day (inclusive of the day of the conversion) until the shares are delivered. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$188 during the year ended June 30, 2018. The balance of the June Note as of June 30, 2018 was \$50,000.

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.

6. DERIVATIVE LIABILITIES

The convertible notes (the "Notes") issued and described in Note 5 do not have fixed settlement provisions because their conversion prices are not fixed. The conversion features have been characterized as derivative liabilities to be re-measured at the end of every reporting period with the change in value reported in the statement of operations.

During the year ended June 30, 2018, as a result of the Notes issued that were accounted for as derivative liabilities, we determined that the fair value of the conversion feature of the convertible notes at issuance was \$206,795, based upon the Binomial lattice formula. We recorded the full value of the derivative as a liability at issuance with an offset to valuation discount, which will be amortized over the life of the Notes.

During the year ended June 30, 2018, the Company recorded a net loss in change in derivative of \$8,168,061 in the statement of operations due to the change in fair value of the remaining Notes. At June 30, 2018, the fair value of the derivative liability was \$10,857,698.

For purpose of determining the fair market value of the derivative liability for the embedded conversion, the Company used the Binomial lattice formula. The significant assumptions used in the Binomial lattice formula of the derivatives are as follows:

Risk free interest rate	2.09% - 2.73%
Stock volatility factor	80.0% - 183.0%
Weighted average expected option life	1 year - 5 year
Expected dividend yield	None

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HYPERSOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

7. DEFERRED TAX BENEFIT

The Company files income tax returns in the U.S. Federal jurisdiction, and the state of California. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2015.

Deferred income taxes have been provided by temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. To the extent allowed by GAAP, we provide valuation allowances against the deferred tax assets for amount when the realization is uncertain. Included in the balance at June 30, 2018 and 2017, are no tax positions for which the ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the periods ended June 30, 2018 and 2017, the Company did not recognize interest or penalties.

At June 30, 2018, the Company had net operating loss carry-forwards of approximately \$5,829,800, which expires 20 years after the NOL year. No tax benefit has been reported in the June 30, 2018 and 2017 financial statements, since the potential tax benefit is offset by a valuation allowance of the same amount.

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income from continuing operations for the years ended June 30, 2018 and 2017 due to the following:

	6/30/2018	6/30/2017
Book income (loss)	\$ (4,079,759)	\$ 897,493
Non deductible expenses	3,791,305	(1,136,941)

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Depreciation and amortization	(395)	(1,018)
Valuation Allowance	288,849	240,466
Income tax expense	\$-	\$-

Deferred taxes are provided on a liability method, whereby deferred tax assets are recognized for deductible differences and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the difference between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax liabilities consist of the following components as of June 30, 2018 and 2017:

	6/30/2018	6/30/2017
Deferred tax assets:		
NOL carryover	\$2,331,918	\$2,048,129
Research & development	69,449	51,988
Related party accrual	76,500	76,500
Deferred tax liabilities:		
Depreciation and amortization	(4,352)	(3,368)
Less Valuation Allowance	(2,473,515)	(2,173,249)
Net deferred tax asset	\$-	\$-

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry-forwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry-forwards may be limited as to use in future years.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cut and Jobs Act (the "Tax Act"). The Tax Act establishes new tax laws that affects 2018 and future years, including a reduction in the U.S. federal corporate income tax rate to 21%, effective January 1, 2018. The Company is still in the process of analyzing the impact to the Company of the TCJA. Where the Company has been able to make reasonable estimates of the effects related to which its analysis is not yet complete, the Company has recorded

provisional amounts. The ultimate impact to the Company's financial statements of the TCJA may differ from the provisional amounts due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the TCJA.

The Company's tax returns for the previous three years remain open for audit by the respective tax jurisdictions.

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HYPERSOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

8. COMMITMENTS AND CONTINGENCIES

The Company rents office space on a month-to-month rental in the amount of \$900, which is due by the fifteenth of each month.

In the normal course of business, the Company may be involved in legal proceedings, claims and assessments arising in the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

9. SUBSEQUENT EVENTS

Management evaluated subsequent events as of the date of the financial statements pursuant to ASC TOPIC 855, and reported the following events:

On July 12, 2018, the Company filed a Certificate of Designation with the Secretary of State of Nevada which designates 1,000, shares of the Company's preferred stock par value \$0.001 per shares, as Series A Preferred Stock.

Pursuant to the terms of the Designation, holders of Series A Preferred Stock shall not be entitled to dividends or a liquidation preference and shall have no conversion rights. The holders of Series A Preferred Stock shall have the right to vote separately as a class in an amount equal to 90% of the total vote with respect to a proposal related to (a) any amendment to the Company's Articles of Incorporation changing the name of the Company, (b) increasing the authorized share capital of the Company, (c) any amendment to the Company's Bylaws, and (d) effecting any reverse stock split of the Company's issued and outstanding shares of capital stock. Such vote shall be determined by the holder(s) of a majority of the then issued and outstanding shares of Series A Preferred Stock. The shares of Series A Preferred stock shall be redeemed automatically at par value, upon the earlier of (i) the expiration of 120 days after the effective date of the Designation, (ii) the Company's CEO no longer services as an officer, director or consultant of the Company or (iii) the date the Company's shares of common stock first trades on a national securities exchange.

Effective July 12, 2018, the Board of Directors of the Company approved the issuance of 1,000 newly designated Series A Preferred Stock to its CEO, Timothy Young.

On July 17, 2018, a lender extended the February Note for sixty (60) months from the effective date. The terms and conditions remained unchanged.

On July 23, 2018, the Company received \$63,000 in consideration upon the execution of a 10% unsecured convertible note (“July Note”) in the aggregate principal amount of up to \$63,000. The July Note is convertible into shares of common stock of the Company at a price equal to 61% of the average lowest two (2) trading prices per common stock during the fifteen (15) trading days prior to the conversion date.

On August 10, 2018, the Company received \$100,000 in consideration upon the execution of a 10% unsecured convertible note (“August Note”) for an aggregate principal amount of up to \$500,000. The August Note is convertible into shares of common stock of the Company at a price equal to the lesser of a) \$0.005 per share of common stock or b) sixty-one (61%) of the lowest trade price per common stock recorded on any trade day after the effective date.

On September 5, 2018, the Company issued 32,615,768 shares of common stock, upon partial conversion of principal in the amount of \$44,500, plus accrued interest of \$14,208 associated with the April Note.

On September 13, 2018, the Company amended its Articles of Incorporation to increase the number of authorized shares of common stock from 1,000,000,000 to 3,000,000,000

On September 19, 2018, the Company entered into a consulting agreement with GreenTech Development Corporation for assistance in the development and commercialization of the Company’s Technology.