

Hypersolar, Inc.  
Form 10-K  
September 21, 2017

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-K**

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER: 000-54437

**HYPERSOLAR, INC.**

(Name of registrant in its charter)

**NEVADA**

**26-4298300**

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(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

**510 Castillo Street, Suite 320, 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.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting 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 \$\$6,337,531.

The number of shares of registrant’s common stock outstanding, as of September 16, 2017 was 699,483,259.

**DOCUMENTS INCORPORATED BY REFERENCE**

**TABLE OF CONTENTS**

|  | <b>Page</b> |
|--|-------------|
| <b>PART I</b>  |             |
| <u>Item 1. Business</u>  | 1           |
| <u>Item 1A. Risk Factors</u>   | 7           |
| <u>Item 2. Properties</u>  | 13          |
| <u>Item 3. Legal Proceedings</u>   | 13          |
| <u>Item 4. Mine Safety Disclosures</u>   | 13          |
| <b>PART II</b>   |             |
| <u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters</u>                              | 13          |
| <u>Item 6. Selected Financial Data</u>   | 14          |
| <u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>           | 14          |
| <u>Item 8. Financial Statements and Supplementary Data</u>   | 18          |
| <u>Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure</u>            | 18          |
| <u>Item 9A. Controls and Procedures</u>  | 18          |
| <b>PART III</b>  |             |
| <u>Item 10. Directors, Executive Officers and Corporate Governance</u>   | 19          |
| <u>Item 11. Executive Compensation</u>   | 21          |
| <u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> | 22          |
| <u>Item 13. Certain Relationship and Related Transactions, and Director Independence</u>                       | 22          |
| <u>Item 14. Principal Accounting Fees and Services</u>   | 23          |
| <u>Item 15. Exhibits</u>   | 24          |
| <b><u>SIGNATURES</u></b>   | 25          |

## **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 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. 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.

Today, over 50 million metric tons of molecular hydrogen is produced globally for use as a chemical intermediate for critical industrial processes and as a fuel for power equipment and transportation. 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**

HyperSolar believes 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 adoption of hydrogen fuel technologies within an increased number of major industries and spanning many applications.

### *Overall Growth*

A recent report cites the hydrogen generation market to be valued at \$115 Billion in 2017 to reaching \$154 Billion by 2022, a significant set of figures. However, it is important to note that the vast majority of hydrogen fuel is developed for refineries, as well as ammonia and methanol production. Fuel cell technologies including energy storage, auto manufacturing, material handling and others, represent a smaller but rapidly growing portion of the hydrogen generation market.

It is within these industries that HyperSolar believes its 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 the report, the “transportation segment is expected to emerge as the fastest growing segment owing to increasing demand for this type of hydrogen powered forklifts and also increasing research and development activities in regions such as Europe to develop hybrid vehicles powered by hydrogen.”

### *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.

General Motors, who entered into an agreement with Honda to build a \$85 million hydrogen fuel facility, has worked in collaboration with the United States Army to produce a hydrogen fuel cell truck for military use. The first versions of the prototype have been promising, according to the two parties.

Lastly, hydrogen fuel cell buses have continued to become more prevalent, with more than 370 fuel cell systems delivered or on order. This report also cites Ballard Power Systems signing several large supply agreements with Chinese companies, and also delivered, or received orders for, fuel cell buses in for deployment in cities in the U.S. and Europe.

*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. 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.

In September 2017, an analyst from Bloomberg New Energy Finance referenced hydrogen's potential for moving to a renewable economy, citing the World Economic Forum Hydrogen Council's efforts to integrate hydrogen using cleaner infrastructure. Doing so by using existing natural gas pipelines would be a tremendous step in this direction, as connecting hydrogen producers with end users using this method would require limited investment in infrastructure. In fact, a report distributed by the US Department of Energy states:

*“Blending hydrogen into natural gas pipeline networks at low concentrations has the potential to increase output from renewable energy production facilities in the near term. In the longer term, blending may provide an economic means of hydrogen delivery when the hydrogen is injected upstream and then extracted downstream for use in fuel cell electric vehicles (FCEVs) or stationary fuel cells.”*



## **Our Technology**

### ***Technology for Making Renewable Hydrogen from Sunlight***

Hydrogen (H<sub>2</sub>) 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 (H<sub>2</sub>O) 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 (H<sub>2</sub>O) 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, 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 dirty 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 (H<sub>2</sub>). 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 daily production and storage of hydrogen for any time use in electricity generation, oil and gas refining, fertilizer manufacturing or any other current and future applications of hydrogen.

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

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  
1. 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 is easily manufactured for commercial use.

The NanoParticle or Solar Cell - Our patented nanoparticle consist 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  
2. 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.

Oxygen Evolution Catalyst - This proprietary catalyst developed in the University of Iowa lab is uniformly applied  
3. onto the solar cell or nanoparticle 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.

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  
4. coating a triple junction solar cell with a catalyst comprised primarily of ruthenium (10 weight %), carbon and nitrogen that can function as well as platinum, the current catalyst used for hydrogen production, but at a 20x reduced cost.

Transparent Conductive Coating - A patent pending coating to protect our nanoparticles and solar cells from  
5. photocorrosion 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%.

In the next twelve months, we hope to complete our optimization of these primary components and prove the sustainability of the system for hydrogen production over long periods of time. During this process, we are seeking the following strategic partners:

1. A manufacturing design and build partner to build housings that can be implemented on land or roof top applications.
2. Cement a strategic partnership with Xunlight or another triple junction solar cell manufacturer.
3. A strategic financial and utilization partner to deploy our systems on their own warehouse rooftops or adjacent land for hydrogen production necessary as required for their fuel cell power equipment.

4

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. 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 is titled: “Process And Systems For Stable Operation of Electroactive Devices”. The invention is directed towards processes and systems for stable operation of electrical, electrochemical, photoelectrochemical and photosynthetic devices with increased efficiency, stability, and low cost. In particular, what is disclosed are new functional coating materials and applications of those coatings that are optically transparent, electronically conducting, electrocatalytically active, thermally stable, and which can be applied conformally and easily on an electroactive unit for stable and efficient operation. We believe this patent will be valuable beyond our specific utilization in developing hydrogen from water using the power of the sun. In February of 2013 we filed the utility patent application for the above and the examination and prosecution of this patent are ongoing.



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. We believe licensing opportunities can be created through various industry applications, such as for car charging stations, retail distribution centers, and facilities that would benefit from cost-efficient hydrogen developed at or near the point of distribution. Examination and prosecution of this patent are ongoing.

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. We are currently working on the Utility application to protect the IP for this device in the US and multiple countries.

### **Strategic Partners**

Effective June 1, 2017 we entered into a one-year extension of our agreement with the University of Iowa to help accelerate our research and development efforts to reach our goal of producing commercially viable renewable hydrogen. As consideration under the sponsorship research agreement (“Iowa SRA”), the University of Iowa will receive \$142,243 from the Company. When expenditures reach that amount, we will no longer be obligated to fund any additional research activities, and the University of Iowa will not be obligated to perform any additional research activities pursuant to the SRA, unless mutually agreed upon. This agreement expires on May 31, 2018.

In June of 2017, we extended our sponsorship research agreement (“UCSB SRA”) with UCSB through June 30, 2018. The UCSB SRA is intended to help achieve important milestones in the company’s development plan.

Due to credit on our account and other funds available, the UCSB extension is at no cost to the Company. U.S. Patent Law and university policy will govern any patentable developments or discoveries throughout the course of the SRA. If such an invention is determined to be jointly owned by us and UCSB, we will prepare and file, at our cost, patent applications for such invention and claim it as a joint invention in the name of both the Company and UCSB, and shall prosecute and maintain such joint patent rights. Neither party may assign its joint ownership in such patents without the consent of the other party. We have a time-limited first right to negotiate a license to UCSB’s interest in any joint invention.



We believe the partnership with UCSB will enable us to refine our solar-powered particle technology for generating zero carbon hydrogen and renewable natural gas using sunlight, water and carbon dioxide (CO<sub>2</sub>). The research project is led by Professor Eric McFarland in the Department of Chemical Engineering at UCSB.

## **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.

The energy source and feedstock used in these existing production technologies are fossil fuels. Therefore, the hydrogen produced is not considered renewable. We are developing a new low cost technology to use sunlight as the energy source to split water into hydrogen in a truly renewable fashion. To our knowledge, there are no commercially available technologies for producing large quantities of renewable hydrogen that are cost competitive with fossil fuel based hydrogen. Niche market electrolysis systems that split water for hydrogen production have existed for a long time but their capital and operating costs are much higher than conventional hydrogen. Various academic and research institutions around the world are attempting to develop renewable hydrogen production technologies as well. To our knowledge, none have reached commercial success.

If we are able to complete the commercial development of our technology, we do not intend to manufacture hydrogen and compete with companies such as Air Liquide. We intend to license our technology to companies like Air Products and Air Liquide for the production of renewable hydrogen used in applications such as hydrogen vehicle fueling stations and hydrogen power plants.

## **Corporate Information**

We were incorporated in the State of Nevada on February 18, 2009. Our executive offices are located at 510 Castillo Street, Suite 320, Santa Barbara, CA 93101. Our telephone number is (805) 966-6566.

## **EMPLOYEES**

As of September 9, 2017 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 full time 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, 2017, we have incurred an aggregate net loss, and had an accumulated deficit, of \$(11,800,117). For the years ended June 30, 2017 and 2016, we incurred net income of \$2,243,731 and \$6,035,993, respectively. The net income for the years ended June 30, 2017 and 2016 include non-cash income of \$2,845,916 and \$6,517,302, respectively, associated with the derivatives. 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 and service offerings 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. The technology is not patented and the only intellectual property rights that exist at present, if any, are trade secret rights. However, trade secrets are difficult to protect and others could independently develop substantially equivalent technology, otherwise gain access to trade secrets relating to the technology. Accordingly, we may not be able to protect the rights to our trade secrets. 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 the technology, or the products we, our customers or partners commercialize using the 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 UCSB and at the University of Iowa. The loss of these valuable resources 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 UCSB SRA with UCSB. The UCSB SRA will terminate on or prior to June 30, 2018. Also, we have entered into the Iowa SRA with the University of Iowa which is set to terminate May 31, 2018. 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 21, 2017 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.

### **IF WE FAIL TO REMAIN CURRENT ON OUR REPORTING REQUIREMENTS, WE COULD BE REMOVED FROM THE OTCQB WHICH WOULD LIMIT THE ABILITY OF BROKER-DEALERS TO SELL OUR SECURITIES AND THE ABILITY OF STOCKHOLDERS TO SELL THEIR SECURITIES IN THE SECONDARY MARKET.**

Securities traded on the OTCQB must be registered with the Securities and Exchange Commission and the issuer must be current with its filings pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1933, as amended, in order to maintain price quotation privileges on the OTCQB. If we fail to remain current in our reporting requirements, we could be removed from the OTCQB. As a result, the market liquidity of our securities could be severely adversely affected by limiting the ability of broker-dealers to trade our securities and the ability of stockholders to sell their securities in the secondary market. In addition, we may be unable to get re-listed on the OTCQB which may have an adverse material effect on our Company.

### **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 1,000,000,000 shares of common stock, par value \$0.001 and 5,000,000 shares of preferred stock, par value \$0.001, of which 699,483,259 shares of common stock and no shares of preferred stock are currently outstanding as of September 16, 2017. Our Board of Directors has the ability to authorize the issuance of an additional 300,516,741 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 510 Castillo Street, Suite 320, Santa Barbara, CA, 93101. We rent approximately 250 square feet, on a month to month basis. We believe that our current premises are sufficient to handle our activities for the near future.

**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 bid prices per share of common stock. These high and low bid prices represent prices quoted by broker-dealers on the OTCQB. 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 2017  | \$.0112 | \$.0080 |
| Second Quarter FY 2017 | \$.0102 | \$.0099 |
| Third Quarter FY 2017  | \$.0101 | \$.0096 |
| Fourth Quarter FY 2017 | \$.0095 | \$.0091 |
| First Quarter FY 2016  | \$.0195 | \$.0085 |
| Second Quarter FY 2016 | \$0.0   | \$0.0   |
| Third Quarter FY 2016  | \$0.0   | \$0.0   |
| Fourth Quarter FY 2016 | \$0.0   | \$0.0   |

**Securities**

Our Articles of Incorporation, as amended, authorizes the issuance of 1,000,000,000 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 16, 2017, our common stock was held by 71 stockholders of record and we had 699,483,259 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**

There were no sales of unregistered securities during the fiscal year ended June 30, 2017 other than those transactions previously reported to the SEC on our quarterly reports on Form 10Q and current reports on Form 8-K.

### **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 both the University of Iowa and UCSB, has advanced our technology significantly. In November of 2014, the University of Iowa was added to the research and development team, giving us the support of two leading universities as we continue our pursuit of commercially viable renewable hydrogen. 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. Also in August of 2016, we added Professor John Stickney as Scientific Advisor. Professor Stickney is currently at the University of Georgia within the Department of Chemistry.

In the next twelve months, we hope to complete our optimization of the primary system components and prove the sustainability of the system for hydrogen production over long periods of time. During this process, we are seeking the following strategic partners:

1. A manufacturing design and build partner to build housings that can be implemented on land or roof top applications.
2. Cement a strategic partnership with Xunlight or another triple junction solar cell manufacturer.
3. A strategic financial and utilization partner to deploy our systems on their own warehouse rooftops or adjacent land for hydrogen production necessary as required for their fuel cell power equipment.

### **Results of Operations for the Year Ended June 30, 2017 compared to the Year Ended June 30, 2016.**

#### **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, 2017 operating expenses were \$602,185 and \$481,309 for the prior period ended June 30, 2016. The net increase of \$120,876 in operating expenses consisted primarily of research and development costs in the amount of \$128,152 together with an overall decrease in other general and administrative expenses of \$7,276.



### **Other Income/(Expenses)**

Other income and (expenses) for the year ended June 30, 2017 were \$2,845,916 and \$6,517,302 for the prior period ended June 30, 2016. The decrease of \$3,671,386 in other income and (expenses) was the result of a decrease in net gain on change in fair value of the derivative instruments of \$4,026,470, amortization of debt discount of \$381,218, with an increase in interest expense of \$26,134. 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, 2017, our net income was \$2,243,731 as compared to a net income of \$6,035,993 for the prior period June 30, 2016. 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, 2017, we had a working capital deficit of \$3,141,945 as compared to \$7,839,367 as of June 30, 2016. This decrease in working capital deficit of \$4,697,422 was due primarily to an increase in prepaid expenses, accounts payable, and accrued expenses, offset by a decrease in cash, non-cash derivative liability, and the issuance of additional convertible notes.

During the year ended June 30, 2017, we raised an aggregate of \$575,000 in an offering of unsecured convertible notes. During the prior period ended June 30, 2016, we raised an aggregate of \$580,000 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.

Cash flow used in operating activities was \$573,299 for the year ended June 30, 2017 and \$495,317 for the prior period ended June 30, 2016. 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, 2017 and 2016 was \$41,455 and \$4,287, respectively. During the current period, the Company purchased intangible assets.

Cash provided by financing activities during the year ended June 30, 2017 was \$575,000 and \$580,000 for the prior period ended June 30, 2016. The decrease in financing activities was due to the decrease in issuance of convertible notes through private placement offerings during the current period.

During the year ended June 30, 2017, we did not generate any revenue, incurred net income of \$2,243,731, which was primarily due to the non-cash gain associated with the debt financing of \$2,845,916, and used cash in the amount of \$573,299 in our operations. As of June 30, 2017, we had a working capital deficiency of \$3,141,945 and a shareholders' deficit of \$4,249,898. 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 21, 2017, on our audited financial statements for the year ended June 30, 2017 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 net revenue, collectability of accounts receivable, useful lives and impairment of tangible and intangible assets, accruals, income taxes, inventory realization, stock-based compensation expense, Black Scholes valuation model inputs, and other factors. Management believes it has exercised reasonable judgment in deriving these estimates. Consequently, a change in conditions could affect these estimates.

### **Fair Value of Financial Instruments**

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, 2017, 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, 2017, as disclosed in the Notes to the financial statements included in this report.

**ITEM 7A. 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.

**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, 2017 that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

**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, 2017 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, 2017, 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.

#### **ITEM 9B. OTHER INFORMATION.**

None.

### **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:

| <b>Name</b>   | <b>Age</b> | <b>Position</b>   |
|---------------|------------|---|
| Timothy Young | 52         | President, CEO, Acting CFO and Chairman of the Board of Directors |

**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.

**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 our sole director and 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**

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, 510 Castillo Street, Suite 320, 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, 2017, 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,            | 2017 | \$255,000   | 0          | 0                 | 0                  | 0   | 0   | 0                           | \$255,000  |
| CEO and Acting CFO        | 2016 | \$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, 2017.

**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 699,483,259 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 September 16, 2017 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 16, 2017 have been exercised and converted.

| Name and address                                 | Shares of<br>Common<br>Stock | Percentage<br>of<br>Common<br>Stock (1) |   |
|--|------------------------------|---|---|
| Directors and Officers (2)                       |                              |   |   |
| Timothy A. Young                                 | 10,000,000                   | 1.43                                    | % |
| All Officers and Directors as a Group (1 person) | 10,000,000                   | 1.43                                    | % |



(1) Based upon 699,483,259 shares issued and outstanding as of September 16, 2017.

(2) The address for each of the officers and directors is c/o HyperSolar, Inc. 510 Castillo Street, Suite 320, 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**

We do not currently have any directors who are independent as that term is defined under the Nasdaq Marketplace Rules.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

**Audit Fees**

The aggregate fees billable to us by Liggett & Webb P.A. during 2017 and 2016 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 2017 and 2016 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, 2017 and 2016.

**Tax Fees**

We incurred fees of \$0 and \$0 billed to us by Liggett & Webb P.A. for services rendered to us for tax compliance, tax advice, or tax planning for the fiscal year ended June 30, 2017 and 2016, respectively.

**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<br>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>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>  |
| 14             | <u>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).</u>   |
| 31.1*          | <u>Certification by Chief Executive Officer and Acting Chief Financial Officer pursuant to Sarbanes-Oxley Section 302</u>  |
| 32.1 *         | <u>Certification by Chief Executive Officer and Acting Chief Financial Officer pursuant to 18 U.S.C. Section 1350</u>  |

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 21, 2017 By: /s/ Timothy Young

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

**INDEX TO FINANCIAL STATEMENTS**

|  | Page |
|--|------|
| <u>Report of Independent Registered Public Accounting Firm</u> | F-2  |
| <u>Balance Sheets</u>  | F-3  |
| <u>Statements of Operations</u>                                | F-4  |
| <u>Statement of Stockholders' Deficit</u>                      | F-5  |
| <u>Statements of Cash Flows</u>                                | F-6  |
| <u>Notes to Financial Statements</u>                           | F-7  |

F-1

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors

HyperSolar, Inc.

Santa Barbara, California

We have audited the accompanying balance sheets of HyperSolar, Inc. as of June 30, 2017 and 2016, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HyperSolar, Inc. as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in the 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 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Liggett & Webb, P.A.

New York, New York  
September 21, 2017

F-2



## HYPERMOLAR, INC.

## BALANCE SHEETS

|   | June 30,<br>2017 | June 30,<br>2016 |
|---|------------------|------------------|
| <b>ASSETS</b>   |                  |                  |
| <b>CURRENT ASSETS</b>   |                  |                  |
| Cash  | \$80,133         | \$119,887        |
| Prepaid expense   | 4,167            | -                |
| <b>TOTAL CURRENT ASSETS</b>   | <b>84,300</b>    | <b>119,887</b>   |
| <b>PROPERTY &amp; EQUIPMENT</b>   |                  |                  |
| Computers and peripherals   | 6,218            | 6,218            |
| Less: accumulated depreciation  | (6,218)          | (6,059)          |
| <b>NET PROPERTY AND EQUIPMENT</b>   | <b>-</b>         | <b>159</b>       |
| <b>OTHER ASSETS</b>   |                  |                  |
| Deposits  | 900              | 900              |
| Domain, net of amortization \$3,160 and \$2,805, respectively                             | 2,155            | 2,510            |
| Patents   | 78,478           | 37,023           |
| <b>TOTAL OTHER ASSETS</b>   | <b>81,533</b>    | <b>40,433</b>    |
| <b>TOTAL ASSETS</b>   | <b>\$165,833</b> | <b>\$160,479</b> |
| <b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>  |                  |                  |
| <b>CURRENT LIABILITIES</b>  |                  |                  |
| Accounts payable  | \$103,112        | \$79,261         |
| Accrued expenses  | 401,626          | 362,301          |
| Derivative liability  | 2,482,842        | 6,230,102        |
| Convertible promissory notes, net of debt discount of \$66,335 and \$97,910, respectively | 238,665          | 1,287,590        |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>3,226,245</b> | <b>7,959,254</b> |
| <b>LONG TERM LIABILITIES</b>  |                  |                  |
| Convertible promissory notes, net of debt discount of \$38,514 and \$0, respectively      | 1,189,486        | -                |
| <b>TOTAL LONG TERM LIABILITIES</b>  | <b>1,189,486</b> | <b>-</b>         |

|   |              |              |
|---|--------------|--------------|
| TOTAL LIABILITIES   | 4,415,731    | 7,959,254    |
| 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 699,483,259 and 589,552,961 shares issued and outstanding, respectively | 699,483      | 589,553      |
| Additional Paid in Capital  | 6,850,736    | 5,655,520    |
| Accumulated deficit   | (11,800,117) | (14,043,848) |
| TOTAL SHAREHOLDERS' DEFICIT   | (4,249,898 ) | (7,798,775 ) |
| TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT   | \$165,833    | \$160,479    |

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

## HYPERMOLAR, INC.

## STATEMENTS OF OPERATIONS

|  | Years Ended      |                  |
|--|------------------|------------------|
|  | June 30,<br>2017 | June 30,<br>2016 |
| REVENUE  | \$-              | \$-              |
| OPERATING EXPENSES   |                  |                  |
| General and administrative expenses                        | 461,385          | 468,147          |
| Research and development cost                              | 140,286          | 12,134           |
| Depreciation and amortization                              | 514              | 1,028            |
| TOTAL OPERATING EXPENSES                                   | 602,185          | 481,309          |
| LOSS FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES)        | (602,185 )       | (481,309 )       |
| OTHER INCOME/(EXPENSES)                                    |                  |                  |
| Gain on debt conversion and change in derivative liability | 3,192,213        | 7,218,683        |
| Interest expense   | (346,297 )       | (701,381 )       |
| TOTAL OTHER INCOME/(EXPENSES)                              | 2,845,916        | 6,517,302        |
| NET INCOME   | \$2,243,731      | \$6,035,993      |
| BASIC EARNINGS PER SHARE                                   | \$0.004          | \$0.012          |
| DILUTED EARNINGS PER SHARE                                 | \$0.002          | \$0.006          |
| WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING                 |                  |                  |
| BASIC  | 637,798,226      | 523,338,228      |
| DILUTED  | 960,785,068      | 1,071,719,180    |

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

## HYPERMOLAR, INC.

## STATEMENTS OF SHAREHOLDERS' DEFICIT

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

|  | Preferred stock |        | Common stock |           | Additional      | Accumulated    |                |
|--|-----------------|--------|--------------|-----------|-----------------|----------------|----------------|
|  | Share           | Amount | Shares       | Amount    | Paid-in Capital | Deficit        | Total          |
| Balance at June 30, 2015   | -               | \$ -   | 476,848,072  | \$476,848 | \$5,568,303     | \$(20,079,841) | \$(14,034,690) |
| Issuance of common stock for conversion of debt                      | -               | -      | 112,704,889  | 112,705   | 84,529          | -              | 197,234        |
| Stock compensation   | -               | -      | -            | -         | 2,688           | -              | 2,688          |
| Net income for the year ended June 30, 2016                          | -               | -      | -            | -         | -               | 6,035,993      | 6,035,993      |
| 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 compensation   | -               | -      | -            | -         | 2,687           | -              | 2,687          |
| Net income for the year ended June 30, 2017                          | -               | -      | -            | -         | -               | 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 ) |

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

## HYPERMOLAR, INC.

## STATEMENTS OF CASH FLOWS

|   | Years Ended        |                   |
|---|--------------------|-------------------|
|   | June 30,<br>2017   | June 30,<br>2016  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |                    |                   |
| Net income  | \$2,243,731        | \$6,035,993       |
| Adjustment to reconcile net income to net cash used in operating activities |                    |                   |
| Depreciation & amortization expense   | 514                | 1,028             |
| Stock compensation expense  | 2,687              | 2,688             |
| (Gain) on debt conversion change in derivative liability                    | (3,192,213)        | (7,218,683)       |
| Amortization of debt discount recorded as interest expense                  | 199,479            | 580,697           |
| (Increase) Decrease in change in assets:                                    |                    |                   |
| Prepaid expense   | (4,167 )           | -                 |
| Deposits  | -                  | 550               |
| Increase (Decrease) in change in liabilities:                               |                    |                   |
| Accounts payable  | 29,851             | (18,206 )         |
| Accrued expenses  | 146,819            | 120,616           |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>                                | <b>(573,299 )</b>  | <b>(495,317 )</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                    |                   |
| Purchase of intangible assets   | (41,455 )          | (4,287 )          |
| <b>NET CASH FLOWS USED IN INVESTING ACTIVITIES:</b>                         | <b>(41,455 )</b>   | <b>(4,287 )</b>   |
| <b>NET CASH FLOWS FROM FINANCING ACTIVITIES:</b>                            |                    |                   |
| Proceeds from convertible notes payable                                     | 575,000            | 580,000           |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>                            | <b>575,000</b>     | <b>580,000</b>    |
| <b>NET (DECREASE) INCREASE IN CASH</b>                                      | <b>(39,754 )</b>   | <b>80,396</b>     |
| <b>CASH, BEGINNING OF YEAR</b>  | <b>119,887</b>     | <b>39,491</b>     |
| <b>CASH, END OF YEAR</b>  | <b>\$80,133</b>    | <b>\$119,887</b>  |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>                    |                    |                   |
| Interest paid   | \$-                | \$70              |
| Taxes paid  | \$-                | \$-               |
| <b>SUPPLEMENTAL DISCLOSURES OF NON CASH TRANSACTIONS</b>                    |                    |                   |
|   | <b>\$1,302,459</b> | <b>\$197,234</b>  |

Issuance of common stock at fair value upon conversion of convertible notes and accrued interest

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

F-6

HYPERMOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 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.

#### 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 |
|------------------------------------|---------|

#### 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, 2017, 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:

Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;



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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.

F-7

HYPERMOLAR, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

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, 2017 and 2016 (See Note 6):

|  | Total       | (Level<br>1) | (Level<br>2) | (Level 3)   |
|--|-------------|--------------|--------------|-------------|
| Liabilities  |             |              |              |             |
| Derivative liability measured at fair value at 6/30/17 | \$2,482,842 | \$ -         | \$ -         | \$2,482,842 |
| Derivative liability measured at fair value at 6/30/16 | \$6,230,102 | \$-          | \$-          | \$6,230,102 |

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 July 1, 2015  | \$13,034,374 |
| Fair value of derivative liabilities issued                                       | 535,765      |
| Elimination of liability on conversion  | (1,085,570 ) |
| Gain on change in derivative liability and elimination of liability on conversion | (6,254,467 ) |
| Balance as of June 30, 2016   | \$6,230,102  |
| Fair value of derivative liabilities issued                                       | 206,418      |
| Elimination of liability on conversion  | (824,879 )   |
| Gain on change in derivative liability and elimination of liability on conversion | (3,128,799 ) |
| Balance as of December 31, 2016   | \$2,482,842  |

Intangible Assets

Intangible assets consist of patents that are initially measured at the lower of cost or fair value. The patents are deemed to have an indefinite life and are not amortized. The patents are assessed annually for impairment, or whenever conditions indicate the asset may be impaired, and any such impairment will be recognized in the period identified

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.

Net Earnings (Loss) per Share Calculations

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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).

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 year ended June 30, 2016, the Company calculated the dilutive impact of outstanding stock options of \$250,000, and the convertible debt of \$1,427,500, which is convertible into shares of common stock. The stock options and the convertible debt were included in the calculation of net earnings per share, because their impact was dilutive.

|  | For the years ended<br>June 30, |               |
|--|---------------------------------|---------------|
|  | 2017                            | 2016          |
| Income (Loss) to common shareholders (Numerator)                           | \$2,243,731                     | \$6,035,993   |
| Basic weighted average number of common shares outstanding (Denominator)   | 637,798,226                     | 523,338,228   |
| Diluted weighted average number of common shares outstanding (Denominator) | 960,785,068                     | 1,071,719,180 |

HYPERSOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 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.

### Stock based Compensation

The Company periodically issues stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs. The Company accounts for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by the Financial Accounting Standards Board whereas the value of the award is measured on the date of grant and recognized over the vesting period. The Company accounts for stock option and warrant grants issued and vesting to non-employees in accordance with the authoritative guidance of the Financial Accounting Standards Board whereas the value of the stock compensation is based upon the measurement date as determined at either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete. Non-employee stock-based

compensation charges generally are amortized over the vesting period on a straight-line basis. In certain circumstances where there are no future performance requirements by the non-employee, option grants are immediately vested and the total stock-based compensation charge is recorded in the period of the measurement date.

### Research and Development

Research and development costs are expensed as incurred. Total research and development costs were \$140,286 and \$12,134 for the years ended June 30, 2017 and 2016, respectively.

### 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 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.

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

HYPERMOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

3. CAPITAL STOCK

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.

During the year ended June 30, 2016, the Company issued 112,704,889 shares of common stock upon conversion of \$159,500 in principal, plus \$37,734 in accrued interest.

4. STOCK OPTIONS

Options

As of June 30, 2017, 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 (5<sup>th</sup>) anniversary from the grant date of the options. As of June 30, 2017, 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.

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

|  | 6/30/2017 |                                 | 6/30/2016 |                                 |
|--|-----------|---------------------------------|-----------|---------------------------------|
|  | Number    | Weighted average exercise price | Number    | Weighted average exercise price |
| Outstanding, beginning of year                                 | 500,000   | \$ 0.03                         | 500,000   | \$ 0.03                         |
| Granted  | -         | -                               | -         | -                               |
| Exercised  | -         | -                               | -         | -                               |
| Forfeited/Expired  | (250,000) | \$ 0.04                         | -         | -                               |
| Outstanding, end of year                                       | 250,000   | \$ 0.02                         | 500,000   | \$ 0.03                         |
| Exercisable at the end of year                                 | 250,000   | \$ 0.02                         | 375,000   | \$ 0.02                         |
| Weighted average fair value of options granted during the year |           | \$ -                            |           |                                 |

The stock based compensation expense recognized in the statement of operations during the years ended June 30, 2017 and 2016, related to the granting of these options was \$2,688 and \$2,687, respectively.

5. CONVERTIBLE PROMISSORY NOTES

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As of June 30, 2017, the convertible promissory notes are summarized as follows:

|                              |              |
|------------------------------|--------------|
| Convertible Promissory Notes | \$ 1,533,000 |
| Less current portion         | 305,000      |
| Total long term liabilities  | \$ 1,228,000 |

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

| Year Ending |              |
|-------------|--------------|
| June 30,    | Amount       |
| 2019        | \$ 113,000   |
| 2020        | 575,000      |
| 2021        | 540,000      |
|             | \$ 1,228,000 |

At June 30, 2017, the \$1,533,000 in convertible promissory notes had a remaining debt discount of \$104,849, leaving a net balance of \$1,428,151.

The Company entered into a securities purchase agreement on December 16, 2013 for the sale of a 10% convertible promissory note (the "December Note") in the aggregate principal amount of up to \$100,000. The December 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. Upon execution of the securities purchase agreement, the Company received a tranche of \$26,000. The Company received additional tranches in the amount of \$74,000 for an aggregate sum of \$100,000. The December Note's maturity date of May 16, 2015 was extended to February 16, 2016. Subsequently, a third extension was granted to November 16, 2016. During the year ended June 30, 2017, the Company issued 11,515,068 shares of common stock upon conversion of \$40,500, plus accrued interest of \$11,318, with an aggregate fair value loss of \$65,636. As of June 30, 2017, the December Note and interest were fully converted.

F-10

HYPERSOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

#### 5. CONVERTIBLE PROMISSORY NOTES (Continued)

The Company entered into a securities purchase agreement on March 5, 2014 for the sale of a 10% convertible promissory note (the "March Note") in the aggregate principal amount of up to \$100,000. The March 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. Upon execution of the securities purchase agreement, the Company received a tranche of \$30,000. On April 15, 2014, the lender and borrower agreed to amend the March Note to increase the principle sum to \$150,000. The Company received additional tranches in the amount of \$120,000 for an aggregate sum of \$150,000. During the year ended June 30, 2017, the Company issued 37,843,288 shares of common stock upon conversion of \$150,000 in principal, plus accrued interest of \$40,459, with an aggregate fair value loss of \$328,021. The March Note's maturity date of September 5, 2015 was extended to June 5, 2016. Subsequently, a second extension was granted to March 5, 2017. As of June 30, 2017, the March Note was fully converted.

The Company entered into a securities purchase agreement on May 23, 2014 for the sale of a 10% convertible promissory note (the "May Note") in the aggregate principal amount of up to \$500,000. 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. Upon execution of the securities purchase agreement, 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's maturity date of May 23, 2015 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. The May Note matures on November 23, 2021. During the year ended June 30, 2017, the Company issued 60,571,942 shares of common stock upon conversion of \$235,863 in principal, plus accrued interest of \$62,854, with an aggregate fair value loss of \$367,808. Also, the principal was reduced by \$1,137 for interest due from the investor. The remaining balance of the May Note as of June 30, 2017 was \$228,000.

The Company entered into a securities purchase agreement on April 9, 2015 for the sale of a 10% convertible promissory note (the "April Note") in the aggregate principal amount of up to \$500,000. 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. Upon execution of the securities purchase agreement, 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. The April Note matures on October 31, 2021. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$42,303 during the year ended June 30, 2017.

The Company entered into a securities purchase agreement January 28, 2016 for the sale of a 10% convertible promissory note (the "January Note") in the aggregate principal amount of up to \$500,000. 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. Upon execution of the securities purchase agreement, 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. The January Note matures on January 27, 2022. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$135,565 during the year ended June 30, 2017.

The Company entered into a securities purchase agreement February 3, 2017 for the sale of a 10% convertible promissory note (the "February Note") in the aggregate principal amount of up to \$500,000. 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. Upon execution of the securities purchase agreement, the Company received a tranche of \$60,000. The Company received an additional tranche in the amount of \$245,000 for an aggregate sum of \$305,000. 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 Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$21,627 during the year ended June 30, 2017.

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.

HYPERSOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

## 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, 2017, 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 Notes at issuance was \$206,418, 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, 2017, the Company recorded a gain in change in derivative and change in elimination of derivative liability of \$3,953,678, plus a fair value loss of \$761,465 for a net gain of \$3,192,213 in the statement of operations due to the change in fair value of the remaining Notes, for the year ended June 30, 2017. At June 30, 2017, the fair value of the derivative liability was \$2,482,842.

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               | 0.29% - 1.95 %  |
| Stock volatility factor               | 41.35% - 141.0% |
| Weighted average expected option life | 1 year - 5 year |
| Expected dividend yield               | None            |

## 7. INTANGIBLE ASSETS

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Intangible assets that have finite useful lives continue to be amortized over their useful lives, and are reviewed for impairment when warranted by economic condition. Any impairment is included in the income statement.

|                   | Useful Lives | 6/30/2017 | 6/30/2016 |
|-------------------|--------------|-----------|-----------|
| Domain-gross      | 15 years     | \$ 5,315  | \$ 5,315  |
| Less amortization |              | (3,160 )  | (2,805 )  |
| Domain-net        |              | \$ 2,155  | \$ 2,510  |
| Patents-gross     |              | \$ 78,478 | \$ 37,023 |

### 8. INCOME TAXES

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 fiscal years before 2013.

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 amounts when the realization is uncertain. Included in the balances at June 30, 2017 and 2016, 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 period ended June 30, 2017 and 2016, the Company did not recognize interest and penalties.

### 9. DEFERRED TAX BENEFIT

At June 30, 2017, the Company had net operating loss carry-forwards of approximately \$5,120,300 that may be offset against future taxable income from 2016 through 2036. No tax benefit has been reported in the financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

HYPERMOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

## 9. DEFERRED TAX BENEFIT (Continued)

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate of 40% to pretax income from continuing operations for the period ended June 30, 2017 and 2016 due to the following:

|                               | 6/30/2017   | 6/30/2016   |
|-------------------------------|-------------|-------------|
| Book income (loss)            | \$897,493   | \$2,414,397 |
| Non deductible expenses       | (1,136,941) | (2,605,352) |
| Depreciation and amortization | (1,018 )    | (635 )      |
| Valuation Allowance           | 240,466     | 191,590     |
| 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 of 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, 2017 and 2016:

|                           | 6/30/2017   | 6/30/2016   |
|---------------------------|-------------|-------------|
| Deferred tax assets:      |             |             |
| NOL carryover             | \$2,048,129 | \$1,815,241 |
| Research & development    | 51,988      | 36,380      |
| Related party accrual     | 76,500      | 76,500      |
| Deferred tax liabilities: |             |             |

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|                               |             |             |
|-------------------------------|-------------|-------------|
| Depreciation and amortization | (3,368 )    | (1,124 )    |
| Less Valuation Allowance      | (2,173,249) | (1,926,997) |
| 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.

#### 10.COMMITMENTS

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.

#### 11.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 August 31, 2017, the Company received an additional tranche in the amount of \$60,000 pursuant to the securities purchase agreement entered into on February 3, 2017 for the sale of a 10% convertible promissory note (the “February Note”) in the aggregate principal amount of up to \$500,000. 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.