
HYDROGRAPH CLEAN POWER INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the period ended June 30, 2023
(Unaudited - Expressed in United States Dollars)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed consolidated interim financial statements for the nine months ended June 30, 2022.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

HYDROGRAPH CLEAN POWER INC
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in United States Dollars)

	Notes	June 30, 2023	September 30, 2022
ASSETS			
CURRENT ASSETS			
Cash		\$1,061,741	\$ 2,801,029
Deposits and prepaids		620,546	506,781
Inventory		3,534	-
Tax receivable		137,122	92,219
Subscriptions receivable	9	-	71,851
		1,822,943	3,471,880
NON-CURRENT ASSETS			
Technology and development costs	4	3,178,078	3,178,078
Right-of-use asset	5	241,703	286,097
Fixed assets	6	1,369,977	1,002,680
		4,789,758	4,466,855
TOTAL ASSETS		\$6,612,701	\$ 7,938,735
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	8	\$ 268,839	\$ 134,260
Lease liability – current	5	74,750	74,750
		343,589	209,010
NON-CURRENT LIABILITIES			
Lease liability - long term	5	184,906	224,073
CEBA loan	7	-	19,265
		184,906	243,338
TOTAL LIABILITIES		528,495	452,348
SHAREHOLDERS' EQUITY			
Share capital	9	12,044,595	10,352,648
Reserves	9	2,885,952	2,443,330
Accumulated other comprehensive loss		(125,129)	(421,654)
Deficit		(8,721,212)	(4,887,937)
TOTAL SHAREHOLDERS' EQUITY		6,084,206	7,486,387
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$6,612,701	\$ 7,938,735

Nature and continuance of operations	1
Commitments	10

Approved on Behalf of the Board of Directors

“Stuart Jara”
Stuart Jara, CEO, Director

“Kjirstin Breure”
Kjirstin Breure, President, Director

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

HYDROGRAPH CLEAN POWER INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in United States dollars)

		Three months ended		Nine months ended	
	Notes	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
		\$	\$	\$	\$
Sales		50	-	6,186	-
Cost of sales		(9,781)	-	(21,057)	-
Gross Profit		(9,731)	-	(14,871)	-
Expenses					
Depreciation	5,6	71,450	57,783	207,838	123,478
Exchange and filing fees		11,730	3,151	96,796	20,175
Finance costs		-	624	-	1,818
Insurance		108	-	12,240	10,254
Lease accretion	5	5,371	6,392	16,897	19,982
License maintenance fees		3,961	17,155	125,027	69,573
Office and miscellaneous		52,871	104,509	161,634	178,801
Professional fees		32,168	57,737	411,348	217,593
Rent and occupancy		10,984	12,675	25,755	22,674
Research		19,431	52,378	96,816	170,104
Salaries	8	542,944	187,085	1,299,149	600,989
Stock-based compensation	8,9	187,741	27,165	401,960	393,165
Travel and promotion		191,788	72,694	581,743	188,602
Total Expenses		1,130,547	599,348	3,437,203	2,017,208
Loss before other items		(1,140,278)	(599,348)	(3,452,074)	(2,017,208)
Foreign exchange gain (loss)		(205,560)	(52,023)	(398,106)	(61,720)
Other income		7,582	-	16,905	-
Net loss		(1,338,256)	(651,371)	(3,833,275)	(2,078,928)
Other comprehensive loss					
Item that will not be reclassified to profit or loss					
Foreign exchange translation adjustment		157,975	-	296,525	-
Comprehensive loss		\$ (1,180,281)	\$ (651,371)	\$ (3,536,750)	\$ (2,078,928)
Net loss per share, basic and diluted		(0.01)	(0.01)	(0.02)	(0.02)
Weighted average common shares outstanding		169,712,031	119,535,892	169,712,031	109,535,892

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

HYDROGRAPH CLEAN POWER INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited - Expressed in United States Dollars)

	Note	Shares Issued	Share Capital	Reserves	Other comprehensive loss	Accumulated Deficit	Total
			\$	\$	\$	\$	\$
Balance, September 30, 2021		93,515,892	3,857,765	300,500	-	(1,905,425)	2,252,840
Shares issued for cash	9	26,020,000	5,078,123	63,000	-	-	5,141,123
Share issue costs	9	-	(359,180)	-	-	-	(359,180)
Share-based payments		-	-	366,000	-	-	366,000
Net loss		-	-	-	-	(2,078,928)	(2,078,928)
Balance, June 30, 2022		119,535,892	8,576,708	729,500	-	(3,984,353)	5,321,855
Balance, September 30, 2022		154,687,558	10,352,648	2,443,330	(421,654)	(4,887,937)	7,486,387
Private placement	9	20,087,666	1,826,087	-	-	-	1,826,087
Share issued costs	9	-	(134,140)	40,662	-	-	(93,478)
Share-based payments	9	-	-	401,960	-	-	401,960
Foreign currency translation adjustment		-	-	-	296,525	-	296,525
Net loss		-	-	-	-	(3,833,275)	(3,833,275)
Balance, June 30, 2023		174,775,224	12,044,595	2,885,952	(125,129)	(8,721,212)	6,084,206

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

HYDROGRAPH CLEAN POWER INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited - Expressed in United States Dollars)

	Nine months ended	
	June 30, 2023	June 30, 2022
	\$	\$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss and comprehensive loss	(3,833,275)	(2,078,928)
Add back non-cash items:		
Stock-based compensation	401,960	366,000
Unrealized foreign exchange loss	296,525	(9,697)
Depreciation	207,838	65,695
Finance costs	-	14,784
Accrued interest	16,897	-
Changes in non-cash working capital balances:		
Tax receivable	(44,903)	(51,335)
Deposits	(113,765)	(503,669)
Inventory	(3,534)	-
Accounts payable and accrued liabilities	134,579	397,352
Cash used in operating activities	(2,937,678)	(1,799,798)
INVESTING ACTIVITIES		
Technology and development costs	-	(827,584)
Acquisition of fixed assets	(530,741)	(431,556)
Cash used in investing activities	(530,741)	(1,259,140)
FINANCING ACTIVITIES		
Shares issued for cash, net	1,804,460	4,781,943
Repayment of loan	(19,265)	-
Subscriptions received	-	(5,141,123)
Repayments of lease liability	(56,064)	(85,933)
Cash provided by (used in) financing activities	1,729,131	(445,113)
Foreign currency translation differences on cash	-	9,697
Decrease in cash	(1,739,288)	(3,494,354)
Cash, beginning	2,801,029	5,423,790
Cash, ending	1,061,741	1,929,436

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

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2023
(Unaudited - Expressed in United States Dollars unless otherwise stated)

1. NATURE AND CONTINUANCE OF OPERATIONS

HydroGraph Clean Power Inc. (the "Company") was incorporated under the Laws of the Province of British Columbia on June 26, 2017. The address of the Company's corporate office and its principal place of business is 1 King Street West, Suite 4800-118, Toronto, ON, Canada.

The Company's principal business activity is the acquisition and development of graphene and hydrogen related products and services. The Company is listed on the Canadian Stock Exchange (the "CSE") under the ticker symbol HG.

The Company has never generated profit or positive cash flows from operations. For the period ended June 30, 2023, the Company reported a net loss of \$3,833,275 (June 30, 2022 – \$2,078,928) negative cash flow from operating activities of \$2,937,678 (June 30, 2022 – \$1,799,798), and an accumulated deficit of \$8,721,212 (2022 – \$4,887,937). These conditions indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations as intended are dependent on its ability to obtain necessary financing and raise capital sufficient to cover its development and operating costs.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed consolidated interim financial statements.

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed consolidated interim financial statements are prepared in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2022.

These condensed consolidated interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 23, 2023.

b) Measurement basis

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2023
(Unaudited - Expressed in United States Dollars unless otherwise stated)

c) Functional and presentation currency

Determination of functional currency may involve certain judgments to determine the primary economic environment. Management reconsiders the functional currency of our entities if there is a change in events and conditions which determine the primary economic environment.

Transactions of the Company's individual entities are recorded in their own functional currency based on the primary economic environment in which they operate. The functional currency and location of each entity is as follows:

Entity	Location	Functional Currency
HydroGraph Clean Power Inc.	Canada	Canada
HydroGraph USA, Inc.	United States	United States
Carbon-2D Graphene Corp. (dormant)	Canada	Canada
HydroGraph Clean Power Ontario Inc. (dormant)	Canada	Canada

These condensed consolidated interim financial statements are presented in United States dollars which is consistent with prior years presentation.

d) Basis of consolidation

These condensed consolidated interim financial statements include the accounts on the Company and its wholly owned subsidiaries, HydroGraph USA Inc., incorporated in the state of Delaware, Carbon-2D Graphene Corp., incorporated in the province of British Columbia and HydroGraph Clean Power Ontario Inc. incorporated in the province of Ontario.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

Inter-company transactions, balances and unrealized gains or losses with the subsidiaries are eliminated. The financial statements of the subsidiaries are prepared using consistent accounting policies with that of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these condensed consolidated interim financial statements are based on IFRS in effect as of June 30, 2023, the date the Board of Directors approved the consolidated interim financial statements. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended September 30, 2022.

4. TECHNOLOGY AND DEVELOPMENT COSTS

The Company has executed a multiple license agreement with Kansas State University Research Foundation ("KSURF") which grants the Company access to the technology developed including hydrogen and graphene detonation technology and certain applications of graphene technology (the "License Agreement"). The License Agreement carries several future commitments as disclosed in Note 10.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2023
(Unaudited - Expressed in United States Dollars unless otherwise stated)

The Company has incurred the following technology acquisition and development costs:

	\$
Balance, September 30, 2020	1,167,670
Additions	1,177,031
Balance, September 30, 2021	2,344,701
Additions	833,377
Balance, September 30, 2022, and June 30, 2023	3,178,078

Technology and development costs will not commence being amortized until the assets are put into production. Accordingly, the Company performs an impairment test on an annual basis, or whenever there are indicators of impairment. As of December 31, 2022, and September 30, 2022, no impairment was required.

5. LEASE LIABILITY AND RIGHT OF USE ASSET

(a) Right of use asset

	June 30, 2023	September 30, 2022
	\$	\$
Balance, beginning of period	286,097	345,289
Additions	-	-
Depreciation charge for the period	(44,394)	(59,192)
Balance, end of period	241,703	286,097

(b) Lease liability

	June 30, 2023	September 30, 2022
	\$	\$
Balance, beginning of the period	298,823	359,906
Additions	-	-
Lease payments	(56,063)	(87,209)
Interest	16,897	26,126
Balance, end of period	259,657	298,823
Current portion	74,750	74,750
Balance, end of period, non-current portion	184,907	224,073

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2023
(Unaudited - Expressed in United States Dollars unless otherwise stated)

6. FIXED ASSETS

	Manufacturing Equipment	Leasehold Improvements	Furniture	Computer	Equipment in Process	Total
Cost	\$	\$	\$	\$	\$	\$
Balance, September 30, 2021	-	109,622	15,788	-	-	125,410
Additions	292,475	650,436	4,300	5,561	57,533	1,010,305
Balance, September 30, 2022	292,475	760,058	20,088	5,561	57,533	1,135,715
Additions	97,391	11,867	-	5,273	416,209	530,741
Balance, June 30, 2023	389,866	771,925	20,088	10,834	473,742	1,666,456
Accumulated amortization						
Balance, September 30, 2021	-	1,841	445	-	-	2,286
Additions	46,275	81,148	2,863	463	-	130,749
Balance, September 30, 2022	46,275	82,989	3,308	463	-	133,035
Additions	49,784	107,309	4,134	2,217	-	163,444
Balance, June 30, 2023	96,059	190,298	7,442	2,680	-	296,479
Net book value						
Balance, September 30, 2022	246,200	677,069	16,780	5,098	57,533	1,002,680
Balance, June 30, 2023	293,807	581,627	12,646	8,155	473,742	1,369,977

7. CEBA LOAN

On September 20, 2020, the Company received a \$30,068 Canada Emergency Business Account loan ("CEBA Loan"). The CEBA Loan bears 0% interest until December 31, 2022. If the balance is not paid by December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest paid monthly, commencing January 1, 2023.

The loan was recognized at fair value on an estimated market interest rate of 12% and the expected repayment of \$22,551 before December 31, 2022. The difference between the repayable portion of the loan of \$22,551 and the fair value of the repayable portion of the loan of \$19,265 will be recognized over the term of the loan. The loan was paid back during the period.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2023
(Unaudited - Expressed in United States Dollars unless otherwise stated)

8. RELATED PARTY TRANSACTIONS AND BALANCES

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the board of directors, the Chief Executive Officer, President, Chief Financial Officer, and Chief Accounting Officer. Key management compensation included the following:

	June 30, 2023	June 30, 2022
	\$	\$
Management and director compensation	462,257	238,299
Share-based payments	394,318	393,165
Total	856,575	631,464

As at June 30, 2023, \$14,786 (2022 – \$12,443) was due to related parties of the Company and has been included in accounts payable and accrued liabilities on the condensed consolidated statement of financial position.

9. SHARE CAPITAL

(a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

Nine months ended June 30, 2023

On April 14, 2023, the Company completed a non-brokered private placement (the “Offering”). Pursuant to the Offering, the Company issued an aggregate of 20,087,666 units of the Company (the “Units”) at an issue price of \$0.12 CAD per Unit for aggregate gross proceeds of CA\$2,410,520.

Each Unit consists of one common share in the capital of the Company (each, a “Common Share”) and one-half of one Common Share purchase warrant of the Company (each whole warrant, a “Warrant”). Each Warrant entitles the holder thereof to purchase one Common Share (each a “Warrant Share”) at a price of \$0.20 CAD per Warrant Share for a period of 24 months after the closing date of the Offering, subject to an acceleration right (the “Warrant Acceleration Right”) exercisable by the Company, if on any ten consecutive trading days the daily volume weighted average trading price of the Common Shares on the Canadian Securities Exchange is \$0.30 CAD or greater per Common Share. If the Company exercises its Warrant Acceleration Right, the new expiry date of the Warrants will be the 30th day following the notice of such exercise.

In connection with the financing, the Company issued 1,020,133 broker warrants with an ascribed value of \$40,662 and incurred \$93,478 in cash finders’ fees.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2023
(Unaudited - Expressed in United States Dollars unless otherwise stated)

Year ended September 30, 2022

- (i) During the year ended September 30, 2022, the Company converted the \$5,141,123 of subscription receipts received in 2021 into 26,020,000 units. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of \$0.60 (\$0.75 CAD) per common share. The warrants were ascribed a value of \$92,590 using the Black Scholes pricing model with the following inputs: volatility of 100%, share price on grant date of \$0.05 interest rate of 1.04%, expected life of two years and 0% dividend yield. The warrants expire two years from date of issuance and were recorded as a derivative liability (Note 14). The Company incurred cash share issuance costs of \$359,180 in connection with the financing and issued 1,821,400 broker warrants as finders fees. The broker warrants have an exercise price of \$0.25 CAD, expire two years from the date of issuance and were ascribed a value of \$20,539; and
- (ii) On September 14, 2022, the Company issued 35,151,666 units at a price of \$0.12 CAD per unit for gross proceeds of \$3,209,045. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.20 CAD per common share. The warrants were ascribed a value of \$1,085,730 using the Black Scholes pricing model with the following inputs: volatility of 100%, share price on grant date of \$0.17 CAD interest rate of 3.72%, expected life of two years and 0% dividend yield. The warrants expire two years from the date of issuance. In connection with the financing, the Company issued 1,942,033 broker warrants with an ascribed value of \$119,959 and incurred \$177,287 in cash finders' fees. As at September 30, 2022, \$71,851 from the unit issuance had yet to be received is included in share subscriptions receivable.
- (c) Stock Options

The Company has a stock option plan (the "Plan") under which it is authorized to grant options to its directors, officers, employees, management companies and consultants enabling them to acquire up to 15% of the issued and outstanding shares of the Company. Under the Plan, the exercise price of options granted is determined by the Board of Directors, provided that the exercise price is not less than the price permitted by an exchange or a quotation system on which the Company's shares may be listed or quoted for trading. The term of any options granted under the Plan is fixed by the Board of Directors and may not exceed ten years from the date of grant. Vesting, if any, and other terms and conditions relating to such options shall be determined by the Board of Directors of the Company. Any options granted pursuant to the Plan will terminate generally within ninety days of the option holder ceasing to act as a director, officer, employees, or consultant. All stock options which have been issued are equity settled.

During 2022, the Company granted a total of 7,880,000 stock options to employees and directors of the Company. 3,532,200 of these stock options vest at various dates between the date of issuance and 3 years after the grant date. The remaining 4,347,800 will vest based on the Company meeting certain performance conditions. The stock options will expire after 10 years from the date of grant and have an exercise price of \$0.25 CAD.

During 2023, the Company granted a total of 5,460,000 stock options to employees and directors of the Company. 2,354,000 of these stock options vest at various dates between the date of issuance and 4 years after the grant date. The remaining 3,106,000 will vest based on the Company meeting certain performance conditions. The stock options will expire after 10 years from the date of grant and have an exercise price of \$0.25 CAD.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2023
(Unaudited - Expressed in United States Dollars unless otherwise stated)

The fair value of each option granted is estimated on the date of grant with the following assumptions:

	For the period ended June 30, 2023	For the year ended September 30, 2022
Risk-free interest rate (%)	1.52- 4.50	1.52- 2.79
Expected life (years)	10	10
Expected volatility (%)	84-100	84-100
Forfeiture rate (%)	-	-
Expected dividends	-	-

The weighted average fair value at the grant date for the period ended June 30, 2023 was \$0.22 CAD per option and the total share-based compensation recognized during the period for stock options was \$401,960.

As at June 30, 2023, the following stock options are outstanding:

	Options	Weighted average exercise price (CAD)
		\$
Balance, September 30, 2021	13,050,000	0.25
Granted	7,880,000	0.25
Cancelled	(9,550,000)	0.25
Balance, September 30, 2022	11,380,000	0.25
Granted	5,460,000	0.25
Expired	(500,000)	0.25
Balance, June 30, 2023	16,340,000	0.25

Outstanding	Exercisable	Exercise Price (CAD)	Expiry Date	Weighted average remaining life (in years)
		\$		
1,000,000	1,000,000	0.25	14-Jun-26	2.96
2,000,000	2,000,000	0.25	30-Jun-26	3.00
1,000,000	1,000,000	0.25	04-Jan-32	8.52
1,500,000	1,500,000	0.25	28-Feb-32	8.67
5,300,000	291,667	0.25	20-Apr-32	8.81
80,000	7,333	0.25	01-Aug-32	9.10
4,010,000	635,000	0.25	01-Nov-32	9.35
700,000	-	0.25	12-Jan-33	9.55
750,000	125,000	0.25	06-Apr-33	9.78
16,340,000	6,559,000			

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2023
(Unaudited - Expressed in United States Dollars unless otherwise stated)

(d) Warrants

As at June 30, 2023, the following warrants are outstanding:

	Number of warrants	Weighted average exercise price (CAD)
		\$
Balance, September 30, 2021	5,017,750	0.43
Granted	45,537,866	0.43
Balance, September 30, 2022	50,555,616	0.43
Granted	21,107,799	0.20
Balance, June 30, 2023	71,663,415	0.36

Outstanding	Exercise Price (CAD)	Expiry Date	Weighted average remaining life (in years)
	\$		
3,525,000	0.60	10-Sep-23	0.20
1,492,750	0.05	02-Dec-23	0.42
26,020,000	0.60	02-Dec-23	0.42
19,517,866	0.20	15-Sep-24	1.21
21,107,799	0.20	13-Apr-25	1.79
71,663,415			

(e) Shares held in escrow

As at June 30, 2023, the Company has 5,175,000 common shares held in escrow (2022 – 77,064,758). These escrow shares are subject to escrow trading restrictions pursuant to the Escrow agreement and are released as follows: 17,425,678 six months after the Company's securities are listed on a Canadian exchange ("Listing"), 15,708,178 nine months after Listing, 17,425,678 twelve months after Listing, 19,635,223 fifteen months after Listing, 1,717,500 eighteen months after Listing, 1,717,500 twenty four months after Listing, 1,717,500 thirty months after Listing and 1,717,500 thirty six months after Listing.

10. COMMITMENTS

On June 1, 2021, the Company signed an Amendment to the KSURF MOA for Sponsored Research to amend the statement of work milestone payments. The Company has the following remaining future funding requirements from this amendment:

Phase 3: \$1,517,376, due in 4 quarterly installments of \$600,000 due June 1, 2021, \$305,792 due September 1, 2021, \$305,792 due December 1, 2021, and \$305,792 due March 1, 2022, plus a success fee of \$300,000 due on achieving defined milestones. All payments have been made as of September 30, 2022.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2023
(Unaudited - Expressed in United States Dollars unless otherwise stated)

The commitments of the Company related to the License Agreements with KSURF are as follows:

The 2017 licensing agreement as amended in July 2022

- (i) The Company will pay annual maintenance fees of:
 - i. \$10,000 per calendar years 2020 to 2022
 - ii. \$25,000 per calendar year 2023
 - iii. \$35,000 per calendar year 2024
 - iv. \$25,000 per calendar year 2025 and every subsequent yearThe annual license maintenance fees in a given year will be credited against any running royalty payments due.
- (ii) the Company will pay a running royalty of 4% of net sales by the Company or its affiliates (the 4% royalty shall be reduced by ½ of royalties paid to third parties but shall not be less than 3.5%),
- (iii) the Company will pay 40% of any non-royalty payments received by the Company from sub-licensed products,
- (iv) the Company may purchase the 4% running royalty for \$12,000,000 in four annual 1% increments.

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern (see Note 1). The Company does not have any externally imposed capital requirements to which it is subject.

As at June 30, 2023, the Company had capital resources consisting of all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares.

12. FINANCIAL INSTRUMENTS

Fair values

Fair value is 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. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values:

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

Level 3 – Inputs that are not based on observable market data.

As at June 30, 2023, the Company's financial instruments consisted of cash, tax receivable, accounts payable and accrued liabilities, and lease liabilities. Cash is measured at fair value in accordance with Level 1. The fair value of tax receivable, accounts payable and accrued liabilities, and the lease liabilities approximate their carrying values because of the short-term nature of these instruments.

Financial risk management objectives and policies

The risks associated with financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2023
(Unaudited - Expressed in United States Dollars unless otherwise stated)

(i) *Currency risk*

The Company's expenses are denominated in United States Dollars. The Company's corporate office is based in Canada. At June 30, 2023, with other variables unchanged, a 1% movement in the US dollar against the Canadian dollar would not have a material impact on the net loss and comprehensive loss.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and tax receivable. To minimize the credit risk on cash, the Company places the instrument with a chartered financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk, the Company maintains a balance between continuity of funding and development activity. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

At June 30, 2023, the contractual maturities of the Company's obligations are as follows:

	Carrying Amount	Contractual Cash Flows	Less than 1 Year	1-2 Years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	268,839	268,839	268,839	-