
HYDROGRAPH CLEAN POWER INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended March 31, 2024
(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	March 31, 2024	September 30, 2023
ASSETS		
CURRENT ASSETS		
Cash	\$ 46,239	\$ 452,469
Term deposit	57,946	57,963
Prepays	15,022	33,491
Inventory	13,010	1,293
Tax receivable	28,891	21,805
	<u>161,108</u>	<u>567,021</u>
NON-CURRENT ASSETS		
Deposits	506,781	506,781
Technology and development costs	3 3,178,078	3,178,078
Right-of-use asset	4 197,309	226,905
Fixed assets	5 1,319,952	1,403,573
	<u>5,202,120</u>	<u>5,315,337</u>
TOTAL ASSETS	\$ 5,363,228	\$ 5,882,358
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 794,942	\$ 615,843
Shares issuable	7 -	150,720
Promissory note	11 74,420	-
Lease liability - current	4 57,129	57,129
	<u>926,491</u>	<u>823,692</u>
NON-CURRENT LIABILITIES		
Lease liability - long term	4 160,947	188,943
TOTAL LIABILITIES	1,087,438	1,012,635
SHAREHOLDERS' EQUITY		
Share capital	7 12,721,028	11,600,057
Reserves	7 3,845,922	3,394,318
Accumulated other comprehensive loss	(25,305)	(276,884)
Deficit	(12,265,855)	(9,847,768)
TOTAL SHAREHOLDERS' EQUITY	4,275,790	4,869,723
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 5,363,228	\$ 5,882,358

Nature and continuance of operations	1
Commitments	8
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Approved on Behalf of the Board of Directors

"David Williams"
David Williams, Director

"Kjirstin Breure"
Kjirstin Breure, Interim CEO, 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)

	Notes	Three months ended		Six months ended	
		March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
		\$	\$	\$	\$
Sales		3,335	2,697	6,605	6,136
Cost of sales		(2,539)	(3,289)	(6,344)	(11,276)
Gross Profit		796	(592)	261	(5,140)
Expenses					
Depreciation	4,5	71,450	69,604	142,900	136,388
Exchange and filing fees		7,375	16,051	32,282	85,066
Insurance		18,468	1,611	22,028	12,132
Lease accretion	4	4,550	5,634	9,379	11,526
License maintenance fees		16,686	120,067	69,781	121,066
Office and miscellaneous		49,598	20,153	110,387	108,763
Professional fees		253,873	152,176	438,721	379,180
Rent and occupancy		11,478	14,771	14,131	14,771
Research		53,748	73,000	80,649	77,385
Salaries	6	562,768	474,781	980,569	756,205
Stock-based compensation	6,7	72,716	109,371	149,218	214,219
Travel and promotion		85,033	141,179	137,441	389,955
Total Expenses		1,207,743	1,198,398	2,187,486	2,306,656
Loss before other items		(1,206,947)	(1,198,990)	(2,187,225)	(2,311,796)
Foreign exchange gain (loss)		29,966	137,184	(232,673)	(192,546)
Other income		(9,371)	9,407	1,811	9,323
Net loss		(1,186,352)	(1,052,399)	(2,418,087)	(2,495,019)
Other comprehensive loss					
Item that will not be reclassified to profit or loss					
Foreign exchange translation adjustment		(32,078)	(166,980)	251,579	138,550
Comprehensive loss		\$ (1,218,430)	\$ (1,219,379)	\$ (2,166,508)	\$ (2,356,469)
Net loss per share, basic and diluted		(0.01)	(0.01)	(0.01)	(0.02)
Weighted average common shares outstanding		187,504,616	154,687,558	179,567,349	154,687,558

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, 2022		154,687,558	10,352,648	2,443,330	(421,654)	(4,887,937)	7,486,387
Share-based payments	7	-	-	214,219	-	-	214,219
Foreign currency translation adjustment		-	-	-	138,550	-	138,550
Net loss		-	-	-	-	(2,495,019)	(2,495,019)
Balance, March 31, 2023		154,687,558	10,352,648	2,657,549	(283,104)	(7,382,956)	5,344,137
Balance, September 30, 2023		174,775,224	11,600,057	3,394,318	(276,884)	(9,847,768)	4,869,723
Private placement	7	19,886,856	1,198,033	284,160	-	-	1,482,193
Shares issued on exercise of warrants	7	1,492,750	55,629	-	-	-	55,629
Share issuance costs	7	-	(132,691)	18,226	-	-	(114,465)
Share-based payments	7	-	-	149,218	-	-	149,218
Foreign currency translation adjustment		-	-	-	251,579	-	251,579
Net loss		-	-	-	-	(2,418,087)	(2,418,087)
Balance, December 31, 2023		196,154,830	12,721,028	3,845,922	(25,305)	(12,265,855)	4,275,790

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

HYDROGRAPH CLEAN POWER INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASHFLOWS

(Expressed in United States Dollars)

	Six months ended	
	March 31, 2024	March 31, 2023
	\$	\$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss and comprehensive loss	(2,418,087)	(2,495,019)
Add back non-cash items:		
Stock-based compensation	149,218	214,219
Unrealized foreign exchange loss	251,579	138,514
Depreciation	142,900	136,388
Accrued interest	9,380	11,526
Changes in non-cash working capital balances:		
Term deposit	17	-
Tax receivable	(7,086)	(39,860)
Deposits	-	(102,594)
Inventory	(11,717)	(2,441)
Prepays	18,469	-
Accounts payable and accrued liabilities	179,101	258,794
Cash used in operating activities	(1,686,226)	(1,880,473)
INVESTING ACTIVITIES		
Acquisition of fixed assets	(29,683)	(510,717)
Cash used in investing activities	(29,683)	(510,717)
FINANCING ACTIVITIES		
Shares issued for cash, net	1,272,637	-
Proceeds received from (repayment of) loan	74,420	(19,265)
Subscriptions received	-	76,287
Repayments of lease liability	(37,378)	(37,376)
Cash provided by financing activities	1,309,679	19,646
Foreign currency translation differences on cash	-	-
Decrease in cash	(406,230)	(2,371,544)
Cash, beginning	452,469	2,801,029
Cash, ending	46,239	429,485

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 SIX MONTHS ENDED MARCH 31, 2024
(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 March 31, 2024, the Company reported a net loss of \$2,418,087 (March 31, 2023 – \$2,495,019) negative cash flow from operating activities of \$1,686,226 (March 31, 2023 – \$1,880,473), and an accumulated deficit of \$12,265,855 (2023 – \$9,847,768). 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, 2023.

These condensed consolidated interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 22, 2024.

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. 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
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2. BASIS OF PRESENTATION (continued)

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. Effective July 1, 2022, the Company determined that the functional currency of its parent company had changed from the United States dollar ("USD") to the Canadian dollar ("CAD"). The Company made the determination due to the incorporation of HydroGraph USA, Inc. which is expected to hold all USD sales contracts in the future and incur the majority of the United States dollar expenses. The change in functional currency is treated prospectively.

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
Hydrograph UK Ltd.	United Kingdom	British Pound

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, HydroGraph Clean Power Ontario Inc. incorporated in the province of Ontario, and Hydrograph UK Ltd., incorporated in the United Kingdom.

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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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3. 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 9.

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

	\$
Balance, September 30, 2022 and September 30, 2023	3,178,078
Additions	-
Balance, March 31, 2024	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 September 30, 2023, and March 31, 2024, no impairment was required.

4. LEASE LIABILITY AND RIGHT OF USE ASSET

(a) Right of use asset

	March 31, 2024	September 30, 2023
	\$	\$
Balance, beginning of period	226,905	286,097
Depreciation charge for the period	(29,596)	(59,192)
Balance, end of period	197,309	226,905

(b) Lease liability

	March 31, 2024	September 30, 2023
	\$	\$
Balance, beginning of the period	246,072	298,823
Lease payments	(37,376)	(74,750)
Interest	9,380	21,999
Balance, end of period	218,076	246,072
Current portion	57,129	57,129
Balance, end of period, non-current portion	160,947	188,943

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5. FIXED ASSETS

	Manufacturing Equipment	Leasehold Improvements	Furniture	Computer	Equipment in Process	Total
Cost	\$	\$	\$	\$	\$	\$
Balance, September 30, 2022	292,475	760,058	20,088	5,561	57,533	1,135,715
Additions	132,089	8,943	10,010	13,306	456,641	620,989
Balance, September 30, 2023	424,564	769,001	30,098	18,867	514,174	1,756,704
Additions	-	-	-	1,660	28,023	29,683
Balance, March 31, 2024	424,564	769,001	30,098	20,527	542,197	1,786,387
Accumulated amortization						
Balance, September 30, 2022	46,275	82,989	3,308	463	-	133,035
Additions	68,764	143,229	4,984	3,119	-	220,096
Balance, September 30, 2023	115,039	226,218	8,292	3,582	-	353,131
Additions	37,960	71,840	1,698	1,806	-	113,304
Balance, March 31, 2024	152,999	298,058	9,990	5,388	-	466,435
Net book value						
Balance, September 30, 2023	309,525	542,783	21,806	15,285	514,174	1,403,573
Balance, March 31, 2024	271,565	470,943	20,108	15,139	542,197	1,319,952

6. 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:

	March 31, 2024	March 31, 2023
	\$	\$
Management and director compensation	381,730	152,300
Share-based payments	141,106	504,160
Total	522,836	656,460

As at March 31, 2024, \$109,000 (2023 – \$15,091) was due to related parties of the Company and has been included in accounts payable and accrued liabilities on the condensed consolidated interim statement of financial position. Of this amount, \$90,000 relates to severance owed to the former CEO of the Company.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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7. SHARE CAPITAL

(a) Authorized Share Capital

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

Six months ended March 31, 2024

- (i) On December 1, 2023, the Company closed a non-brokered private placement through the issuance of 10,260,856 units for gross proceeds of CAD\$1,031,194. The units were offered in US dollars and Canadian dollars at the respective prices of US\$0.074 and CAD\$0.10. Each unit consist of one common share and one-half of one common share warrant of the Company. Each whole warrant is exercisable at CAD\$0.18 per warrant for a period of 24 months. The Company received \$150,720 in relation to the private placement prior to September 30, 2023. This amount has been reclassified to share capital. The Warrants were valued at \$153,971 using the Black-Scholes Option Pricing model. Accordingly, the Company allocated \$614,591 and \$153,971 to share capital and reserves, respectively.
- (ii) On December 27, 2023, the Company issued 1,156,750 shares on the exercise of 1,156,750 warrants for gross proceeds of \$43,107.
- (iii) On December 29, 2023, the Company issued 336,000 shares on the exercise of 336,000 warrants for gross proceeds of \$12,521.
- (iv) On February 23, 2024, the Company closed a non-brokered private placement through the issuance of 9,626,000 units for gross proceeds of CAD\$962,600. The units were offered in US dollars and Canadian dollars at the respective prices of US\$0.074 and CAD\$0.10. Each unit consist of one common share and one-half of one common share warrant of the Company. Each whole warrant is exercisable at CAD\$0.18 per warrant for a period of 24 months. The Warrants were valued at \$130,189 using the Black-Scholes Option Pricing model. Accordingly, the Company allocated \$587,249 and \$130,189 to share capital and reserves, respectively.

In connection with the financing, the Company issued 607,320 broker warrants with an ascribed value of \$18,226 and incurred \$114,465 in cash finders' fees.

Year ended September 30, 2023

- (i) 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 CAD\$0.12 per Unit for aggregate gross proceeds of CAD\$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 CAD\$0.20 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 CAD\$0.30 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. The Warrants were valued at \$402,661 using the Black-Scholes Option Pricing model. Accordingly, the Company allocated \$1,378,229 and \$402,661 to share capital and reserves, respectively.

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In connection with the financing, the Company issued 1,020,133 broker warrants with an ascribed value of \$40,590 and incurred \$90,230 in cash finders' fees.

(b) 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, employee, 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 CAD\$0.25.

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 CAD\$0.25.

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

	For the six months ended March 31, 2024	For the six months ended March 31, 2023
Risk-free interest rate (%)	1.52- 4.50	1.52- 4.50
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 six months ended March 31, 2024 was CAD\$0.22 per option and the total share-based compensation recognized during the period for stock options was \$149,218 (March 31, 2023 - \$214,219).

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As at March 31, 2024, the following stock options are outstanding:

	Options	Weighted average exercise price (CAD)
		\$
Balance, September 30, 2022	11,380,000	0.25
Granted	5,460,000	0.25
Cancelled	(500,000)	0.25
Balance, September 30, 2023	16,340,000	0.25
Expired	(80,000)	0.25
Balance, March 31, 2024	16,260,000	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	2.21
2,000,000	2,000,000	0.25	30-Jun-26	2.25
1,000,000	1,000,000	0.25	04-Jan-32	7.77
1,500,000	1,500,000	0.25	28-Feb-32	7.92
5,300,000	479,167	0.25	20-Apr-32	8.06
4,010,000	1,023,500	0.25	01-Nov-32	8.59
700,000	-	0.25	12-Jan-33	8.79
750,000	312,500	0.25	06-Apr-33	9.02
16,260,000	7,315,167			

(c) Warrants

As at March 31, 2024, the following warrants are outstanding:

	Number of warrants	Weighted average exercise price (CAD)
		\$
Balance, September 30, 2022	50,555,616	0.51
Issued	11,063,966	0.20
Expired	(3,525,000)	0.75
Balance, September 30, 2023	58,094,582	0.43
Issued	10,550,748	0.18
Expired	(26,020,000)	0.75
Exercised	(1,492,750)	0.05
Balance, March 31, 2024	41,132,580	0.20

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Outstanding	Exercise Price (CAD)	Expiry Date	Weighted average remaining life (in years)
	\$		
19,517,866	0.20	15-Sep-24	0.46
11,063,966	0.20	13-Apr-25	1.04
5,130,428	0.18	01-Dec-25	1.67
5,420,320	0.18	23-Feb-26	1.90
41,132,580			

(d) Shares held in escrow

As at March 31, 2024, the Company has 3,435,500 common shares held in escrow (2023 – 5,152,500). 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.

8. 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.

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 year

The 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.

9. 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

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requirements to which it is subject.

As at March 31, 2024, 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.

10. 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 March 31, 2024, the Company's financial instruments consisted of cash, term deposit, tax receivable, accounts payable and accrued liabilities, and promissory note. Cash is measured at fair value in accordance with Level 1. The fair value of tax receivable, accounts payable and accrued liabilities, and the promissory note 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.

(i) *Currency risk*

The Company's expenses are denominated in United States Dollars. The Company's corporate office is based in Canada. At March 31, 2024, 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.

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(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 March 31, 2024, 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	794,942	794,942	794,942	-

11. PROMISSORY NOTE

During the period, the Company issued a promissory note amounting to \$74,420 to certain shareholders of the Company. The promissory note is due on demand after six months, and bears interest at 1% per month.

12. SUBSEQUENT EVENT

On April 5, 2024, the Company completed the final tranche of a non-brokered private placement (the "Offering"). Pursuant to the Offering, the Company issued an aggregate of 11,825,000 units of the Company (the "Units") at an issue price of \$0.10 per Unit for aggregate gross proceeds of CAD\$1,182,500.

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 CAD\$0.18 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 CAD\$0.28 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 incurred cash finders' fees.

On May 13, 2024, the Company amended the terms of 17,575,830 common share purchase warrants of the Company, previously issued pursuant to a private placement on September 14, 2022, with an original expiry date of September 14, 2024 (the "**Warrants**"). Effective as of May 15, 2024, the expiry date of the Warrants will be extended to September 14, 2025. All other terms of the Warrants remain unchanged.