
HYDROGRAPH CLEAN POWER INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the nine-month period ended June 30, 2022 and 2021
(expressed in United States Dollars)
(unaudited)

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, 2022	September 30, 2021
ASSETS			
CURRENT ASSETS			
Cash		\$ 1,660,670	\$ 276,809
Restricted cash	9	-	5,146,981
Deposits and prepaids		506,781	3,112
Tax receivable		90,688	28,929
Other receivable		5,000	5,000
		2,263,139	5,460,831
NON-CURRENT ASSETS			
Technology and development costs	4	3,172,285	2,344,701
Right-of-use asset	5	300,895	345,289
Fixed assets	6	958,206	123,124
		4,431,386	2,813,114
TOTAL ASSETS		\$ 6,694,524	\$ 8,273,945
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	8	\$ 1,012,897	\$ 500,653
Subscriptions received	11	-	5,141,123
Lease liability - current	5	51,709	61,083
		1,064,606	5,702,859
NON-CURRENT LIABILITIES			
Lease liability - long term	5	259,658	298,822
CEBA loan	7	21,241	19,423
		280,899	318,245
TOTAL LIABILITIES		1,345,505	6,021,105
SHAREHOLDERS' EQUITY			
Share capital	9	8,576,707	3,857,765
Reserves	9	756,665	300,500
Deficit		(3,984,352)	(1,905,425)
TOTAL SHAREHOLDERS' EQUITY		5,349,019	2,252,840
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 6,694,524	\$ 8,273,944

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)

	Notes	Three Months Ended		Nine Months Ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue		\$ -	\$ 7,980	\$ -	\$ 7,980
Expenses					
Consulting	8	187,085	69,173	600,989	215,758
Depreciation	5,6	57,783	-	123,478	12,140
Directors and officer insurance		-	-	10,254	-
Exchange and filing fees		1,279	-	11,719	-
Finance costs	7	624	554	1,818	1,781
Lease accretion	5	6,392	-	19,982	-
License maintenance fees		17,155	2,500	69,573	7,500
Office and miscellaneous		84,359	7,779	125,057	9,560
Professional fees		57,737	77,051	217,593	122,163
Rent and occupancy		12,675	10,160	22,674	12,719
Research		52,378	54,000	170,104	54,000
Software license		20,150	-	53,744	-
Stock-based compensation	9	27,165	253,000	393,165	292,000
Transfer agent		1,872	-	8,456	-
Travel and promotion		72,694	34,581	188,602	55,616
Loss before other items		(599,348)	(500,818)	(2,017,208)	(775,257)
Foreign exchange gain (loss)		(52,023)	27,923	(61,720)	61,971
Net loss and comprehensive loss for the period		(651,371)	(472,895)	(2,078,928)	(713,286)
Net loss per share, basic and diluted		(0.01)	(0.01)	(0.02)	(0.01)
Weighted average common shares outstanding		119,535,892	83,687,513	109,535,892	68,099,151

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

HYDROGRAPH CLEAN POWER INC.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(Unaudited - expressed in United States Dollars)

	Note	Shares Issued	Share Capital	Reserves	Accumulated Deficit	Total
			\$	\$	\$	\$
Balance, September 30, 2020		53,677,100	1,432,200	22,500	(396,434)	1,058,266
Shares issued for cash	9	8,056,292	402,815	-	-	402,815
Units issued for cash	9	21,825,000	984,750	106,500	-	1,091,250
Warrants exercised	9	4,250,000	274,000	(61,500)	-	212,500
Share issue costs		-	(39,000)	39,000	-	-
Share-based payments	9	-	-	292,000	-	292,000
Net loss		-	-	-	(713,286)	(713,286)
Balance, June 30, 2021		87,808,392	3,054,765	398,500	(1,109,720)	2,343,545
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	5,078,122	63,000	-	5,141,122
Share issue costs	9	-	(359,180)	-	-	(359,180)
Share-based payments	9	-	-	393,165	-	393,165
Net loss		-	-	-	(2,078,928)	(2,078,928)
Balance, June 30, 2022		119,535,892	8,576,707	756,665	(3,984,353)	5,349,019

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

HYDROGRAPH CLEAN POWER INC.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - expressed in United States Dollars)

	Nine months ended	
	June 30, 2022	June 30, 2021
	\$	\$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss and comprehensive loss	(2,078,928)	(713,286)
Add back non-cash items:		
Stock-based compensation	393,165	292,000
Unrealized foreign exchange loss	5,858	(61,971)
Depreciation	123,478	12,140
Finance costs	1,818	1,781
Accrued interest	19,982	-
Changes in non-cash working capital balances:		
Tax receivable	(61,759)	(28,140)
Deposits	(503,669)	(3,112)
Accounts payable and accrued liabilities	512,245	(6,084)
Cash used in operating activities	(1,587,810)	(506,672)
INVESTING ACTIVITIES		
Technology and development costs	(906,668)	(1,025,000)
Acquisition of fixed assets	(835,082)	-
Cash used in investing activities	(1,741,750)	(1,025,000)
FINANCING ACTIVITIES		
Shares issued for cash, net	4,781,942	402,815
Warrants issued for cash	-	212,500
Units issued for cash	-	1,091,250
Subscriptions received	-	5,250,386
Repayments of lease liability	(68,521)	(12,796)
Cash provided by financing activities	4,713,421	6,944,155
Foreign currency translation differences on cash	-	61,971
Increase (decrease) in cash	1,383,861	5,474,454
Cash, beginning	276,809	47,727
Cash, ending	1,660,670	5,522,181

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2022
(Unaudited - expressed in United States Dollars)

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 has never generated profit or positive cash flows from operations. For the nine-month period ended June 30, 2022, the Company reported a net loss of \$2,078,928 (2021 – \$713,286) negative cash flow from operating activities of \$1,587,810 (2021 – \$506,672), and an accumulated deficit of \$3,984,352 (September 30, 2021 – \$1,905,425). 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.

In early March 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact to the Company's project exploration activities, cash flows and liquidity.

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, 2021

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 26, 2022.

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.

The Company measures the transactions using the currency of the primary economic environment in which it operates in. These condensed consolidated interim financial statements are presented in United States dollars which is the functional currency of the Company.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2022
(Unaudited - expressed in United States Dollars)

c) Basis of consolidation

These condensed consolidated interim financial statements include the accounts on the Company and its wholly owned subsidiaries, Carbon-2D Graphene Corp., incorporated in the province of British Columbia, HydroGraph Clean Power Ontario Inc. incorporated in the province of Ontario, and HydroGraph USA Inc., incorporated in Delaware. As at June 30, 2022, the subsidiaries are inactive.

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 so as 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these condensed consolidated interim financial statements are based on IFRS in effect as of June 30, 2022, 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 Financial Statements as at and for the year ended September 30, 2021.

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.

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	827,584
Balance, June 30, 2022	3,172,285

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 June 30, 2022 and September 30, 2021, no write-down was necessary.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2022
(Unaudited - expressed in United States Dollars)

5. LEASE LIABILITY AND RIGHT OF USE ASSET

(a) Right of use asset

	June 30, 2022	September 30, 2021
	\$	\$
Balance, beginning of period	345,289	12,140
Additions	–	355,154
Depreciation charge for the period	(44,394)	(22,005)
Balance, end of period	300,895	345,289

(b) Lease liability

	June 30, 2022	September 30, 2021
	\$	\$
Balance, beginning of the period	359,906	12,628
Additions	–	355,154
Lease payments	(68,521)	(12,796)
Interest	19,982	4,920
Balance, end of period	311,367	359,906
Current portion	51,709	61,083
Balance, end of period, non-current portion	259,658	298,823

6. FIXED ASSETS

	Manufacturing Equipment	Leasehold Improvements	Furniture	Total
	\$	\$	\$	\$
Balance, September 30, 2021	–	107,781	15,343	123,124
Additions	292,476	618,484	3,206	914,166
	292,476	726,265	18,549	1,037,290
Depreciation charge for the period	31,651	45,354	2,079	79,084
Balance, June 30, 2022	260,825	680,911	16,470	958,206

Leasehold improvements are amortized over the expected term of the lease, including the two renewal options.

Manufacturing equipment and furniture is depreciated on a straight-line basis over 6 years.

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. \$7,517 forgiveness is available, provided \$22,551 is paid back before December 31, 2022, which the Company intends to do. Accordingly, the Company has recorded the \$7,517 forgivable portion of the loan as a reduction of office expenses in 2020.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2022
(Unaudited - expressed in United States Dollars)

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 Company made no interest payments during the interim six-month period ended March 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 \$20,011 will be recognized over the term of the loan. During the nine-month period ended June 30, 2022, \$1,818 (2021 - \$1,781) of accretion related to the CEBA loan was recorded and included in finance costs in the condensed consolidated interim statement of loss and comprehensive loss.

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 and the Chief Financial Officer. During the nine months ended June 30, 2022 and 2021, key management compensation included the following:

	June 30, 2022	June 30, 2021
	\$	\$
Management and director compensation	238,299	18,948
Share-based payments	393,165	49,623
Total	631,464	68,571

As at June 30, 2022, \$Nil (September 30, 2021 – \$36,882) 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.

9. SHARE CAPITAL

(a) Authorized Share Capital

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

During the nine months ended June 30, 2021, the Company:

- (i) Issued 8,056,292 common shares at a price of \$0.05 per share for gross proceeds of \$402,815. In connection with the financing, the Company incurred share issue costs of \$39,000 from the issuance of 1,492,750 broker warrant. The warrants have an exercise price of \$0.05 expiring 2 years from the earlier of date of issue or December 31, 2021. The fair value was calculated as \$39,000 using the Black Scholes pricing model with the following inputs: volatility of 84%, share price on grant date of \$0.05, interest rate of 0.74%, expected life of 2.00 years and 0% dividend yield. During February 2021, the Company issued 21,825,000 units at a price of \$0.05 per unit. Each unit consisted of one share and one Penalty Warrant. Each 10 Penalty Warrants automatically convert into one common share with no further consideration if the Company has not completed a Liquidity Event within 180 days from the date issued. The warrants were ascribed a value of \$106,500 using the Black Scholes pricing model with the following inputs: volatility of 84%, share price on grant date of \$0.05, interest rate of 0.74%, expected life of 0.5 years and 0% dividend yield
- (ii) Issued 21,825,000 units at a price of \$0.05 per unit for gross proceeds of \$1,091,250. Each unit consisted of one share and one Penalty Warrant. Each 10 Penalty Warrants automatically convert into one common share with no further consideration if the Company has not completed a Liquidity Event within 180 days from the date issued. The warrants were ascribed a value of \$106,500 using the Black Scholes pricing model with the following inputs: volatility of 84%, share price on grant date of \$0.05, interest rate of 0.74%, expected life of 0.5 years and 0% dividend yield. As the Company had not completed a Liquidity Event within 180 days, 2,182,500 common shares were issued pursuant to conversion of the penalty warrants.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2022
(Unaudited - expressed in United States Dollars)

During the nine months ended June 30, 2022, the Company:

- (i) During the year ended September 30, 2021, the Company received \$5,141,123 in exchange for 26,020,000 subscription receipts to acquire units at a price of \$0.20 per unit. During the period, the Company converted 26,020,000 subscription receipts into units at a price of \$0.20 per unit. Each unit is comprised of one common share and common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share at a price of \$0.60 per common share. The warrants were ascribed a value of \$63,000 using the Black Scholes pricing model with the following inputs: volatility of 95%, share price on grant date of \$0.20 interest rate of 0.74%, expected life of two years and 0% dividend yield. The warrants expire two years from date of issuance. The Company incurred share issue costs of \$359,180 comprised of cash commission related to the issuance of the subscription receipts.

(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 five 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.

On June 14, 2021 and June 30, 2021, the Company granted 8,700,000 and 4,350,000 stock options respectively. The stock options have an exercise price of \$0.20 and expire 5 years from the date of grant. The options were fully vested at the date of grant. The fair value was calculated as \$253,000 using the Black Scholes pricing model using the assumptions listed below. On January 14, 2022, 2,650,000 and 1,350,000 of the stock options were terminated per mutual agreement. and returned to the option pool.

On January 14, 2022, the Company granted 1,000,000 options to a director and officer of the Company. The stock options have an exercise price of \$0.25. The options vest 25% on the date of grant and 25% at each of 6 months, 12 months and 18 months from the date of grant. The fair value was calculated as \$171,500 using the Black Scholes pricing model using the assumptions listed below.

On February 28, 2022, the Company granted 1,500,000 options to a director and officer of the Company. The stock options have an exercise price of \$0.25. The options vest 25% on the date of grant and 25% at each of 6 months, 12 months and 18 months from the date of grant. The fair value was calculated as \$194,500 using the Black Scholes pricing model using the assumptions listed below.

On April 22, 2022, the Company granted 4,000,000 options to a director and officer of the Company. The stock options have an exercise price of \$0.25. 1,000,000 of those options vest quarterly over 12 quarters with the first quarter vesting on April 22, 2022. All subsequent vesting will occur on the last day of the quarter with the next quarter vesting being June 30, 2022. The remaining 3,000,000 options will vest based on the Company hitting performance milestones. Accordingly, only the quarterly vesting options have been assigned a value. The fair value was calculated as CAD\$162,988 using the Black Scholes pricing model using the assumptions listed below. \$27,165 was recognized in the condensed consolidated interim statement of loss and comprehensive loss.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2022
(Unaudited - expressed in United States Dollars)

	June 14, 2021	June 30, 2021	January 14, 2022	February 28, 2022	April 22, 2022
Share price on grant date	\$0.05	\$0.05	\$0.25	\$0.25	\$0.25
Expected life (years)	5	5	5	5	5
Interest rate	0.74%	0.74%	0.74%	0.74%	0.3%
Volatility	84%	84%	83%	83%	100%
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%

As at June 30, 2022, the following stock options are outstanding:

	Options	Weighted average exercise price (CAD)
		\$
Balance, September 30, 2020	–	–
Granted	13,050,000	0.20
Cancelled	(4,000,000)	0.20
Balance, September 30, 2021	9,050,000	0.20
Granted	6,500,000	0.23
Balance, June 30, 2022	15,550,000	0.20

Outstanding	Exercisable	Exercise Price (CAD)	Expiry Date	Weighted average remaining life (in years)
		\$		
6,050,000	6,050,000	0.20	14-Jun-26	3.96
3,000,000	3,000,000	0.20	30-Jun-26	4.00
1,000,000	500,000	0.20	14-Jan-27	4.55
1,500,000	375,000	0.25	28-Feb-27	4.67
4,000,000	166,667	0.25	21-Apr-27	4.81
15,550,000	10,091,667			

(d) Warrants

As at June 30, 2022, the following warrants are outstanding:

Outstanding	Exercise Price (CAD)	Expiry Date	Weighted average remaining life (in years)
	\$		
3,525,000	0.60	10-Sep-23	1.20
1,492,750	0.05	02-Dec-23	1.42
26,020,000	0.60	02-Dec-23	1.42
31,037,750			

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2022
(Unaudited - expressed in United States Dollars)

	Number of warrants	Weighted average exercise price (CAD)
		\$
Balance, September 30, 2020	3,000,000	0.05
Granted	6,267,750	0.50
Exercised	(4,250,000)	0.05
Balance, September 30, 2021	5,017,750	0.43
Granted	26,020,000	0.60
Balance, June 30, 2022	31,037,750	0.57

(e) Shares held in escrow

As at June 30, 2022, the Company has 77,064,758 common shares held in escrow (2021 –nil). These escrow shares are subject to escrow trading restrictions pursuant to the Escrow agreement and are released as follows: 17,425,678 6 months after the Company's securities are listed on a Canadian exchange ("Listing"), 15,708,178 9 months after Listing, 17,425,678 12 months after Listing, 19,635,223 15 months after Listing, 1,717,500 18 months after Listing, 1,717,500 24 months after Listing, 1,717,500 30 months after Listing and 1,717,500 36 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 instalments 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. The first two installments of \$600,000 and \$305,792 have been paid. The success fee of \$300,000 currently outstanding as payable.

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.

The 2021 licensing agreement as amended in July 2022

- (v) The Company will pay annual maintenance fees of:
 - v. \$10,000 per active patent application for calendar years 2022 to 2024
 - vi. \$25,000 per active patent application for calendar years 2025

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2022
(Unaudited - expressed in United States Dollars)

- vii. \$35,000 per active patent application for calendar years 2026
- viii. \$50,000 per active patent application for calendar years 2027 and subsequent years. The annual license maintenance fees in a given year will be credited against any running royalty payments due.
- (vi) 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%),
- (vii) the Company will pay 20% of any non-royalty payments received by the Company from sub-licensed products,
- (viii) the Company may purchase the 4% running royalty on the hydrogen patent for \$16,000,000 in four annual 1% increments, commencing in 2022, and
- (ix) the Company may purchase the 4% running royalty on all the other patents for \$12,000,000 in four annual 1% increments, commencing in 2022.

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, 2022, 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, 2022, the Company's financial instruments consisted of cash, tax receivable, accounts payable and accrued liabilities, lease liabilities, and the CEBA loan. Cash is measured at fair value in accordance with Level 1. The fair value of tax receivable, accounts payable and accrued liabilities, lease liabilities, and the CEBA loan 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 NINE MONTH PERIOD ENDED JUNE 30, 2022
(Unaudited - expressed in United States Dollars)

(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, 2022, 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 GST 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, 2022, 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	1,012,897	1,012,897	1,012,897	–
CEBA loan	21,241	22,551	–	22,551
	1,034,138	1,035,448	1,012,897	22,551

13. SUBSEQUENT EVENT

Subsequent to June 30, 2022, On August 8, 2022, the Company granted 1,380,000 stock options to an employee and officer and director of the Company. The stock options are exercisable at \$0.25 per stock option for a term of 5 years and are subject to multiple vesting terms.