
HYDROGRAPH CLEAN POWER INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2024 and 2023

(Expressed in United States Dollars)

To the Shareholders of HydroGraph Clean Power Inc.:

Opinion

We have audited the consolidated financial statements of HydroGraph Clean Power Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2024 and September 30, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2024 and September 30, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended September 30, 2024, and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matters to be communicated in our report.

Impairment assessment for long-lived assets

Key Audit Matter Description

As described in Note 4 to the consolidated financial statements, the Company conducts an impairment test annually during the fourth quarter, or whenever certain events or changes in circumstances indicate that the carrying value may be greater than the recoverable amount. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (a cash generating unit ("CGU")). Management uses the greater of fair value less costs of disposal method and value in use to determine the recoverable amount for its one CGU.

We considered this to be a key audit matter due to the significant judgment made by management in estimating the recoverable amount for goodwill and long-lived assets and a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to management's estimates.

Audit Response

We responded to this matter by performing procedures over the impairment assessment. Our audit work in relation to this included, but was not restricted to, the following:

- We evaluated the appropriateness of management's use of the discounted cash flow model and tested the mathematical accuracy thereof.
- We involved our valuation specialists to assess the Company's impairment model, valuation methodology applied, the various inputs utilized as well as certain significant assumptions, including the discount rate.
- We performed a sensitivity analysis on certain assumptions to evaluate changes in the recoverable amount that would result from changes in the assumptions and evaluated alternative scenarios available to the Company under the terms of its licensing agreement.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Bonnell.

Calgary, Alberta

January 27, 2025

MNP LLP

Chartered Professional Accountants

HYDROGRAPH CLEAN POWER INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2024 AND 2023
(Expressed in United States dollars)

	Note	2024 \$	2023 \$
ASSETS			
CURRENT ASSETS			
Cash		780,966	452,469
Term deposit		-	57,963
Prepays		37,604	33,491
Inventory		-	1,293
Tax receivable		89,060	21,805
		907,630	567,021
NON-CURRENT ASSETS			
Deposits		-	506,781
Technology and development costs	4	3,178,078	3,178,078
Right-of-use asset	6	167,713	226,905
Fixed assets	5	1,150,287	1,403,573
		4,496,078	5,315,337
TOTAL ASSETS		5,403,708	5,882,358
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	8	440,130	615,843
Shares issuable	9	-	150,720
Lease liability	6	61,870	57,129
		502,000	823,692
NON-CURRENT LIABILITIES			
Other liabilities	8	102,000	-
Lease liability	6	127,073	188,943
		229,073	188,943
TOTAL LIABILITIES		731,073	1,012,635
SHAREHOLDERS' EQUITY			
Share capital	9	15,176,345	11,600,057
Reserves	9	4,918,958	3,394,318
Accumulated other comprehensive loss		(242,914)	(276,884)
Deficit		(15,179,754)	(9,847,768)
TOTAL SHAREHOLDERS' EQUITY		4,672,635	4,869,723
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,403,708	5,882,358

Nature and continuance of operations	1
Commitments	10
Subsequent events	14

Approved on Behalf of the Board of Directors

"David Williams"
David Williams, Director

"Kjirstin Breure"
Kjirstin Breure, CEO, President, Director

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

HYDROGRAPH CLEAN POWER INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States dollars)

	Note	2024 \$	2023 \$
Sales		6,172	7,397
Cost of sales		(57,863)	(26,478)
Gross Profit		(51,691)	(19,081)
Expenses			
Depreciation	5,6	291,047	279,288
Exchange and filing fees		52,079	101,639
Insurance		68,174	67,034
Lease accretion	6	17,621	21,999
License maintenance fees		248,878	145,530
Office and miscellaneous		227,831	315,902
Professional fees		757,510	628,975
Rent and occupancy		82,179	45,113
Research		362,513	135,542
Salaries	8	1,945,066	1,809,810
Stock-based compensation	8,9	396,788	507,737
Travel and promotion		726,035	765,656
Total Expenses		5,175,721	4,824,225
Loss before other items		(5,227,412)	(4,843,306)
Foreign exchange loss		(20,051)	(134,686)
Write-down of equipment	5	(102,857)	-
Other income		18,334	18,161
Net loss		(5,331,986)	(4,959,831)
Other comprehensive income Item that will not be reclassified to profit or loss			
Foreign exchange translation adjustment		33,970	144,770
Comprehensive loss		(5,298,016)	(4,815,061)
Net loss per share, basic and diluted		(0.03)	(0.03)
Weighted average common shares outstanding		202,919,033	163,988,423

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

HYDROGRAPH CLEAN POWER INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States dollars)

	Note	Shares Issued #	Share Capital \$	Reserves \$	Accumulated 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
Private placement	9	20,087,666	1,378,229	402,661	-	-	1,780,890
Share issue costs	9	-	(130,820)	40,590	-	-	(90,230)
Stock-based compensation	9	-	-	507,737	-	-	507,737
Net loss and comprehensive loss		-	-	-	144,770	(4,959,831)	(4,815,061)
Balance, September 30, 2023		174,775,224	11,600,057	3,394,318	(276,884)	(9,847,768)	4,869,723
Private placement	9	54,542,400	3,943,640	1,048,167	-	-	4,991,807
Share issue costs	9	-	(462,854)	118,685	-	-	(344,169)
Shares issued for warrant exercise	9	1,492,750	95,502	(39,000)	-	-	56,502
Stock-based compensation	9	-	-	396,788	-	-	396,788
Net loss and comprehensive loss		-	-	-	33,970	(5,331,986)	(5,298,016)
Balance, September 30, 2024		230,810,374	15,176,345	4,918,958	(242,914)	(15,179,754)	4,672,635

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

HYDROGRAPH CLEAN POWER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States dollars)

	2024 \$	2023 \$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	(5,331,986)	(4,959,831)
Add back non-cash items:		
Depreciation	291,047	279,288
Lease accretion	17,621	21,999
Stock-based compensation	396,788	507,737
Unrealized foreign exchange loss	27,720	144,770
Write-down of equipment	102,857	-
Changes in non-cash working capital balances:		
Term deposit	57,963	(57,963)
Prepays	(4,113)	-
Inventory	1,293	(1,293)
Tax receivable	(67,255)	70,414
Deposits	506,781	(33,491)
Accounts payable and accrued liabilities	(175,713)	481,583
Other liabilities	102,000	-
Cash used in operating activities	(4,074,997)	(3,546,787)
INVESTING ACTIVITIES		
Acquisition of fixed assets	(81,426)	(620,989)
Cash used in investing activities	(81,426)	(620,989)
FINANCING ACTIVITIES		
Shares issued for cash, net	4,553,420	1,913,231
Repayment of CEBA loan	-	(19,265)
Repayments of lease liability	(74,750)	(74,750)
Cash provided by financing activities	4,478,670	1,819,216
Foreign currency translation differences on cash	6,250	-
Increase (decrease) in cash	328,497	(2,348,560)
Cash, beginning	452,469	2,801,029
Cash, ending	780,966	452,469
Supplemental cash flow information:		
Cash received for interest	17,974	18,161
Transfer of value from reserves on exercise of warrants	39,000	-
Issue costs - warrants	118,685	40,590

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

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(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 1100 – 1199 West Hastings Street, Vancouver, BC, 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 year ended September 30, 2024, the Company reported a net loss of \$5,331,986 (2023 – \$4,959,831) negative cash flow from operating activities of \$4,074,997 (2023 – \$3,546,787), and an accumulated deficit of \$15,179,754 (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. Subsequent to September 30, 2024, the Company completed a private placement equity financing raising gross proceeds of \$2,693,871 (Note 14).

These consolidated 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 consolidated financial statements.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements are prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were approved and authorized for issue by the Board of Directors on January 27, 2025.

b) Measurement basis

The consolidated 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 material accounting policies set out in Note 3. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Functional and presentation currency

Determination of functional currency involves certain judgments to determine the primary economic environments in which the entities operate. Management reconsiders the functional currency of our entities if there are changes in events and conditions.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

Transactions of the Company's individual entities are recorded in their own functional currency based. The functional currency and location of each entity is as follows:

Entity	Location	Functional Currency
HydroGraph Clean Power Inc.	Canada	Canadian dollars
HydroGraph USA, Inc.	United States	United States dollars
HydroGraph UK Ltd.	United Kingdom	Pound Sterling
Carbon-2D Graphene Corp. (dormant)	Canada	Canadian dollars
HydroGraph Clean Power Ontario Inc. (dormant)	Canada	Canadian dollars

These consolidated financial statements are presented in United States dollars.

d) **Basis of consolidation**

The consolidated financial statements include the accounts of the Company and the entities controlled by the Company (its subsidiaries). The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Details of the subsidiaries are as follows:

	Incorporated in	Percentage owned	
		2024	2023
HydroGraph Clean Power Inc.	Canada	100%	100%
HydroGraph USA, Inc.	United States	100%	100%
HydroGraph UK Ltd.	United Kingdom	100%	100%
Carbon-2D Graphene Corp. (dormant)	Canada	100%	100%
HydroGraph Clean Power Ontario Inc. (dormant)	Canada	100%	100%

3. MATERIAL ACCOUNTING POLICIES

a) **Financial Instruments**

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- (i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- (ii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit or loss or other comprehensive income.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL. Any fair value changes attributable to changes in credit risk for liabilities designated at FVTPL are recorded in other comprehensive income and any fair value change in excess of the amount attributable to changes in credit risk is recognized in profit or loss.

The Company's financial instruments consist of cash, accounts receivable, term deposit, accounts payable and accrued liabilities and shares issuable. Except for cash, all financial instruments held by the Company are measured at amortized cost. The fair values of the financial instruments measured at amortized cost approximate their carrying values due to their short-term maturities. The fair value of cash is measured at FVTPL and any changes to fair value after initial recognition are recorded in profit or loss for the period in which they occur.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

IFRS 9 introduced a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods, if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

b) Use of estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

The more significant areas where management estimate has been applied are:

(i) Fair value of warrants and stock options

The fair value of warrants and regular stock options is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The fair value of stock options with market performance conditions are determined using the Black-Scholes option pricing model incorporating the Monte Carlo simulation. Inputs to the models are subject to various estimates regarding volatility, interest rates, dividend yields, forfeiture rates and expected life of the units issued.

(ii) Leases

The application of IFRS 16 requires the Company to make judgments and estimates that affect the measurement of right-of-use assets and lease liabilities. In determining the lease term, all facts and circumstances that create an economic incentive to exercise renewal options (or not

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

exercise termination options) are considered. The Company has estimated an incremental borrowing rate of 8% to determine the fair value of the right-to-use assets and the associated lease liability.

(iii) Impairment of fixed assets and technology and development costs

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and value in use. The value in use calculation is based on a discounted cash flow model. The estimated future cash flows are derived from management estimates and budgets. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and growth rate used for extrapolation purposes.

c) Use of judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments with a significant risk of material adjustment in the next year. The more significant areas where management judgement has been applied are:

(i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The directors monitor future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

The application of the Company's accounting policy for technology and product development costs requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Technology and product development costs are not yet available for use. Estimates and assumptions made may change if new information becomes available. If information becomes available after expenditures are capitalized suggesting that the recovery of the expenditures are unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

(ii) Determination of the functional currency

The Company determines the functional currencies of the entities through an analysis of several indicators such as expenses and cash flows, financing activities, retention of operating cash flows, and frequency of transactions within the reporting entity.

d) Technology and development costs

All expenditures related to technology and product development including acquisition costs for technology interests and are classified as intangible assets.

The recoverability of technology and product development costs is dependent on the existence of economically viable markets and the profitability of future operations. Amounts capitalized to technology and development costs do not necessarily reflect present or future values.

At the end of each reporting period, the Company reviews the carrying amounts of the technology and development costs to determine whether those assets have suffered an impairment loss. The recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased up to the revised estimate of its recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss.

The Company's technology and development assets are not yet ready for intended use and therefore no amortization has been recorded.

Recorded costs of technology and development costs are not intended to reflect present or future values. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

e) Fixed assets

Fixed assets are recorded at historical cost less accumulated depreciation. Historical cost includes amounts that are directly attributable to the acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction.

At the end of each reporting period, the Company assesses whether there are indications that an asset may be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the asset. If the carrying amount of the asset, or its respective cash generating unit, exceeds the recoverable amount, the difference is recognized as an impairment charge.

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.

Computer equipment is depreciated on a straight-line basis over 3 years.

f) Leases

Leases are accounted for using IFRS 16. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone process. However, for the leases of land and buildings in which it is the lessee, the Company has elected not to separate non-lease components and account for the non-lease components as a single component.

The Company recognizes the right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term over the term of the lease. In addition, right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate as the discount rate.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

g) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

h) Share-based payments

The stock option plan allows the Company to issue stock options to the Company's officers, directors, employees, management companies and consultants to acquire shares of the Company. The fair value of options granted are recognized as an expense with a corresponding increase in equity.

The fair value of stock options granted are measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model and the Monte Carlo simulation for stock options with market performance conditions taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Stock options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

i) Share capital

The fair value of the common shares issued in the private placements was determined to be the residual between the proceeds and the fair value of the warrants. The fair value of the warrants is determined using the Black-Scholes option pricing model. Warrants that are issued as payment for an agency fee or other transaction cost are accounted for as share-based payments.

Share issue costs are charged to share capital when the related shares are issued.

j) Basic and diluted loss per share

Basic earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

k) Foreign exchange

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

The statement of financial position of each subsidiary is translated into United States dollars using the exchange rate at the statement of financial position date and the income statement is translated into United States dollars using the average exchange rate for the period. All gains and losses on translation of a subsidiary from the functional currency to the presentation currency are charged to other comprehensive (loss) income until the subsidiary is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

l) Income tax

Income tax expense comprises current and deferred income tax. Tax is recognized in the income statement except to the extent that it relates to items recognized directly into equity, in which case the related tax effect is recognized in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax expense is calculated using tax rates, laws and government policies that were enacted or substantively enacted at the Statements of Financial Position date.

Deferred tax is accounted for using a temporary difference approach and is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable income. Deferred tax is calculated based on the expected manner in which temporary differences related to the carrying amounts of assets and liabilities are expected to reverse using tax rates and laws enacted or substantively enacted which are expected to apply in the period of reversal. Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and which do not affect accounting or taxable profit or loss at the time of the transaction.

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.

There were no changes in the technology and development costs during the years ended September 30, 2024 and 2023. The balance of technology and development costs at September 30, 2024 and 2023 was \$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, 2024 and 2023, no impairment was recognized.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

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	26,302	-	4,017	1,664	49,443	81,426
Write-down	(146,453)	-	(10,010)	(1,664)	-	(158,127)
Balance, September 30, 2024	304,413	769,001	24,105	18,867	563,617	1,680,003
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	78,905	143,682	3,953	5,315	-	231,855
Write-down	(55,270)	-	-	-	-	(55,270)
Balance, September 30, 2024	138,674	369,900	12,245	8,897	-	529,716
Net book value						
Balance, September 30, 2023	309,525	542,783	21,806	15,285	514,174	1,403,573
Balance, September 30, 2024	165,739	399,101	11,860	9,970	563,617	1,150,287

During the year ended September 30, 2024, the Company decided to discontinue the use of certain manufacturing equipment, furniture and computers and wrote down those fixed assets with a net book value of \$102,857 to \$nil. Accordingly, the Company recorded a write-down of equipment to the statement of loss and comprehensive loss in the amount of \$102,857.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

6. LEASE LIABILITY AND RIGHT OF USE ASSET

The Company entered into a facility lease on June 9, 2021 and recognized a lease obligation with respect to the lease expiring on June 31, 2023. The lease obligation included two extension options until June 30, 2027, which were included in the calculation. Monthly payments of \$8,407 include a fixed portion of \$6,229 and a variable portion initially estimated at \$2,178. The present value of the lease obligation was calculated using the rate of 8.0% per annum and the end date of June 30, 2027.

(a) Right of use asset

	September 30, 2024 \$	September 30, 2023 \$
Balance, beginning of year	226,905	286,097
Depreciation charge for the year	(59,192)	(59,192)
Balance, end of year	167,713	226,905

(b) Lease liability

	September 30, 2024 \$	September 30, 2023 \$
Balance, beginning of the year	246,072	298,823
Lease payments	(74,750)	(74,750)
Lease accretion	17,621	21,999
Balance, end of year	188,943	246,072
Current portion	(61,870)	(57,129)
Balance, end of year, non-current portion	127,073	188,943

The following is a schedule of the Company's future minimum lease payments related to the office lease obligation:

	September 30, 2024 \$
2025	74,750
2026	74,750
2027	62,292
Total minimum lease payments	211,792
Less: imputed interest	(22,849)
Total present value of minimum lease payments	188,943
Less: current portion	(61,870)
Non-current portion	127,073

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

7. CEBA LOAN

On September 20, 2020, the Company received a \$30,068 Canada Emergency Business Account loan ("CEBA Loan"). The CEBA Loan bore 0% interest until December 31, 2023. If the balance was not paid by December 31, 2023, the remaining balance would be converted into a 3-year term loan at 5% annual interest paid monthly, commencing January 1, 2024.

The loan was recognized at fair value with an estimated market interest rate of 12% and the expected repayment of \$22,551 before December 31, 2023. 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 was recognized over the term of the loan. The loan was repaid during the year ended September 30, 2023.

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 current and former board of directors, the Chief Executive Officer, the Chief Financial Officer and the Chief Accounting Officer. Key management compensation included the following:

	September 30, 2024 \$	September 30, 2023 \$
Short-term benefits - management and director compensation	612,594	633,065
Termination benefits	334,000	-
Share-based payments	214,530	507,737
Total	1,161,124	1,140,802

As at September 30, 2024, \$76,208 (2023 – \$15,091) was due to related parties of the Company and has been included in accounts payable and accrued liabilities on the consolidated statement of financial position. As at September 30, 2024, \$102,000 (2023 - \$nil) was due to related parties of the Company and has been included in other liabilities.

9. SHARE CAPITAL

(a) Authorized Share Capital

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

Year ended September 30, 2024

- (i) On June 11, 2024, the Company completed a non-brokered private placement of 22,830,544 units at a price of \$0.116 (\$0.16 CAD) per unit for gross proceeds of \$2,653,365 (CAD\$3,652,887).

Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.27 CAD up to June 11, 2027. The warrants were valued at \$726,047 using the Black-Scholes Option Pricing model with the following weighted-average assumptions: expected life – 3 years; volatility – 84.4%, risk-free rate – 3.84%, dividend yield – 0%. The Company allocated \$1,927,318 and \$726,047 to share capital and reserves, respectively.

In connection with the private placement, the Company issued 950,679 finders' warrants (the "Finders' Warrant") with a fair value of \$75,942, incurred \$106,862 in cash finders' fees and \$57,467 of other share issuance costs. Each Finders' Warrant is exercisable into a finders'

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

unit, consisting of one common share and one-half of one common share purchase warrant (the "Finders' Unit Warrant"), at a price of \$0.16 CAD up to June 11, 2027. Each Finders' Unit Warrant is exercisable into one common share at a price of \$0.27 CAD up to June 11, 2027. The value of finders' warrants was calculated using the Black-Scholes Option Pricing model with the following weighted-average assumptions: expected life – 3 years; volatility – 84.4%, risk-free rate – 3.84%, dividend yield – 0%.

- (ii) On April 5, 2024, the Company completed a non-brokered private placement of 11,825,000 units at a price of \$0.074 (\$0.10 CAD) per unit for gross proceeds of \$869,613 (\$1,182,500 CAD).

Each unit consists of one common and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.18 CAD up to April 5, 2026, 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 \$0.28 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. The warrants were valued at \$105,119 using the Black-Scholes Option Pricing model with the following weighted-average assumptions: expected life – 2 years; volatility – 81.02%, risk-free rate – 4.21%, dividend yield – 0%. The Company allocated \$764,494 and \$105,119 to share capital and reserves, respectively.

In connection with the private placement, the Company issued 827,750 finders' warrants (the "Finders' Warrant") with a fair value of \$23,395, incurred \$60,873 in cash finders' fees and \$25,815 of other share issuance costs. Each Finders' Warrant is exercisable into a finders' unit, consisting of one common share and one-half of one common share purchase warrant (the "Finders' Unit Warrant"), at a price of \$0.10 CAD up to April 5, 2026. Each Finders' Unit Warrant is exercisable into one common share at a price of \$0.18 CAD up to April 5, 2026. The value of finders' warrants was calculated using the Black-Scholes Option Pricing model with the following weighted-average assumptions: expected life – 2 years; volatility – 81.02%, risk-free rate – 4.21%, dividend yield – 0%.

- (iii) On February 23, 2024, the Company completed a non-brokered private placement of 9,626,000 units of the Company at a price of \$0.074 (\$0.10 CAD) per unit for gross proceeds of \$713,354 (CAD\$962,600).

Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.18 CAD up to February 23, 2026, 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 \$0.28 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. The warrants were valued at \$99,279 using the Black-Scholes Option Pricing model with the following weighted-average assumptions: expected life – 2 years; volatility – 82.19%, risk-free rate – 5.0%, dividend yield – 0%. Accordingly, the Company allocated \$614,075 and \$99,279 to share capital and reserves, respectively.

In connection with the private placement, the Company issued 607,320 finders' warrants (the "Finders' Warrant") with a fair value of \$19,348, incurred \$45,007 in cash finders' fees and \$26,028 of other share issuance costs. Each Finders' Warrant is exercisable into a finders' unit, consisting of one common share and one-half of one common share purchase warrant (the "Finder Unit Warrant"), at a price of \$0.10 CAD up to February 26, 2024. Each Finders' Unit Warrant is exercisable into one common share at a price of \$0.18 CAD up to February 23, 2026. The value of finders' warrants was calculated using the Black-Scholes Option Pricing model with the following weighted-average assumptions: expected life – 2 years;

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

volatility – 82.19%, risk-free rate – 5.0%, dividend yield – 0%.

- (iv) On December 1, 2023, the Company completed a non-brokered private placement of 10,260,856 units of the Company at a price of \$0.074 (\$0.10 CAD) per unit for gross proceeds of \$755,475 (CAD\$1,026,086).

Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.18 CAD up to December 1, 2025, 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 \$0.18 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. The warrants were valued at \$117,722 using the Black-Scholes Option Pricing model with the following weighted-average assumptions: expected life – 2 years; volatility – 89.29%, risk-free rate – 4.07%, dividend yield – 0%. The Company allocated \$637,753 and \$117,722 to share capital and reserves, respectively. In connection with the financing, the Company incurred other share issuance costs of \$22,117.

Year ended September 30, 2023

- (i) On April 14, 2023, the Company completed a non-brokered private placement of 20,087,666 units of the Company at an issue price of \$0.12 CAD per unit for aggregate gross proceeds of CAD\$2,410,520.

Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.20 CAD up to April 14, 2025, 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. The warrants were valued at \$402,661 using the Black-Scholes Option Pricing model. The Company allocated \$1,378,229 and \$402,661 to share capital and reserves, respectively.

In connection with the financing, the Company issued 1,020,133 finders’ 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 120 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 2024, the Company granted a total of 7,600,000 stock options to employees and directors of the Company. 6,100,000 stock options vest as to one quarter on the grant date and one quarter every nine months thereafter. 1,500,000 stock options vest as to one third on the grant date and one third every nine months thereafter.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

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 fair value of each stock option granted was estimated on the date of grant with the following weighted average assumptions:

	September 30, 2024	September 30, 2023
Risk-free interest rate (%)	3.38	1.52- 4.50
Expected life (years)	5	10
Expected volatility (%)	84	84-100
Forfeiture rate (%)	-	-
Expected dividends	-	-

The weighted average fair value of stock options at the grant date for the year ended September 30, 2024 was \$0.09 per option (2023 - \$0.22 per option) and the total share-based compensation expense recognized during the year for stock options was \$396,788 (2023 - \$507,737).

The changes in options during the years ended September 30, 2024 and 2023 are as follows:

	Options #	Weighted average exercise price (\$ CAD)
Balance, September 30, 2022	11,380,000	0.25
Granted	5,460,000	0.25
Expired	(500,000)	0.25
Balance, September 30, 2023	16,340,000	0.25
Granted	7,600,000	0.19
Forfeited	(2,829,767)	0.25
Balance, September 30, 2023	21,110,233	0.23

Details of the options outstanding and exercisable as at September 30, 2024 are as follows:

Outstanding #	Exercisable #	Exercise Price (\$ CAD)	Expiry Date	Weighted average remaining life (in years)
1,250,233	1,250,233	0.25	16-Jan-26	1.30
1,000,000	1,000,000	0.25	14-Jun-26	1.70
2,000,000	2,000,000	0.25	30-Jun-26	1.75
7,600,000	2,025,000	0.19	21-Jun-29	4.73
1,000,000	1,000,000	0.25	4-Jan-32	7.27
1,500,000	1,500,000	0.25	28-Feb-32	7.42
1,300,000	325,000	0.25	20-Apr-32	7.56
4,010,000	⁽¹⁾ 2,148,300	0.25	01-Nov-32	8.15
700,000	210,000	0.25	12-Jan-33	8.29
750,000	437,500	0.25	06-Apr-33	8.52
21,110,233	11,896,033			

⁽¹⁾ Subsequent to September 30, 2024, 112,500 of these options were exercised.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

(c) Warrants

The changes in warrants during the years ended September 30, 2024 and 2023 are as follows:

	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	0.51
Issued	29,656,949	0.21
Exercised	(1,492,750)	0.05
Expired	(27,962,033)	0.71
Balance, September 30, 2024	58,296,748	0.20

Details of the warrants outstanding as at September 30, 2024 are as follows:

Outstanding #	Exercise Price (\$ CAD)	Expiry Date	Weighted average remaining life (in years)
17,575,833	0.20	⁽¹⁾ 15-Sep-25	0.96
10,043,833	0.20	⁽⁶⁾ 13-Apr-25	0.53
1,020,133	0.12	⁽²⁾ 13-Apr-25	0.53
5,130,428	0.18	1-Dec-25	1.17
4,813,000	0.18	23-Feb-26	1.40
607,320	0.10	⁽³⁾ 23-Feb-26	1.40
5,912,500	0.18	5-Apr-26	1.51
827,750	0.10	⁽⁴⁾ 5-Apr-26	1.51
11,415,272	0.27	11-Jun-27	2.70
950,679	0.16	⁽⁵⁾ 11-Jun-27	2.70
58,296,748			

⁽¹⁾ On May 13, 2024, these warrants were extended from September 15, 2024 to September 15, 2025.

⁽²⁾ Exercisable into a finders' unit, consisting of one common share and one-half of one common share purchase warrant, at a price of \$0.12 CAD up to April 13, 2025, subject to acceleration in accordance with the Warrant Acceleration Right. Each warrant within the unit is exercisable into one common share at a price of \$0.20 CAD per common share until April 13, 2025.

⁽³⁾ Exercisable into a finders' unit, consisting of one common share and one-half of one common share purchase warrant at a price of \$0.10 CAD up to February 26, 2024. Each warrant within the unit is exercisable into one common share at a price of \$0.18 CAD per common share up to February 23, 2026.

⁽⁴⁾ Exercisable into a finders' unit, consisting of one common share and one-half of one common share purchase warrant, at a price of \$0.10 CAD up to April 5, 2026. Each warrant within the unit is exercisable into one common share at a price of \$0.18 CAD per common share up to April 5, 2026.

⁽⁵⁾ Exercisable into a finders' unit, consisting of one common share and one-half of one common share purchase warrant, at a price of \$0.16 CAD up to June 11, 2027. Each warrant within the unit is exercisable into one common share at a price of \$0.27 CAD per common share up to June 11, 2027.

⁽⁶⁾ Subsequent to September 30, 2024, 30,000 of these warrants were exercised.

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

(d) Shares held in escrow

As at September 30, 2024, the Company has 1,717,500 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 were 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. Subsequent to September 30, 2024, the final 1,717,500 common shares were released.

10. COMMITMENTS

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 (paid)
 - ii. \$25,000 per calendar year 2023 (paid)
 - iii. \$35,000 per calendar year 2024 (paid)
 - 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.

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 September 30, 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.

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).

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

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

As at September 30, 2024, the Company's financial instruments consisted of cash, tax receivable, term deposit and accounts payable and accrued liabilities. Cash is measured at fair value in accordance with Level 1. The fair value of tax receivable, term deposit and accounts payable and accrued 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.

(i) *Currency risk*

The Company's expenses are denominated in United States dollars, Canadian dollars and other currencies. The Company's corporate office is based in Canada. At September 30, 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.

(ii) *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and financial institutions. This risk is managed by using major banks and financial institutions that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its receivables. The risk is minimal as receivables consist primarily of refundable government taxes.

(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 September 30, 2024, the contractual maturities of the Company's obligations are as follows:

	Within one year	Between one and five years	More than five years
	\$	\$	\$
Accounts payable and accrued liabilities	440,130	-	-
Other liabilities	-	102,000	-
Lease obligation	61,870	127,073	-

13. INCOME TAXES

The following table reconciles the amount of income tax recoverable during the years ended September 30, 2024 and 2023 on application of the combined statutory federal and provincial income tax rates for Canada at September 30, 2024 of 27.00% (2023 – 27.00%):

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

	2024	2023
	\$	\$
Loss before income taxes	(5,331,986)	(4,959,831)
Combined statutory rate	27%	27%
Income tax recovery at statutory tax rate	(1,439,636)	(1,339,154)
Increase (decrease) in taxes:		
Permanent differences	108,510	112,727
Effect of change in tax rates	109,310	-
Change in unrecognized deductible temporary differences	1,221,816	1,226,427
Deferred income tax recovery	-	-

The Company recognizes tax benefits on losses or other deductible amounts where the probability criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets is recognized consists of the following amounts:

	2024	2023
	\$	\$
Non-capital loss carryforward	13,738,000	9,134,000
Fixed assets	374,000	217,000
Share issue costs	636,000	523,000
Leases	21,000	19,000
Research and development pool	-	320,000
	14,769,000	10,213,000

The Company's non-capital losses carried forward for Canadian income tax purposes expire in various years from 2037 to 2044. Non-capital losses may be applied against future taxable income and capital losses are deductible against future capital gains, if any. The Company's tax loss carried forward for United States and United Kingdom income tax purposes may be utilized and carried forward indefinitely to offset future taxable income, with certain limitations.

The losses expire as follows:

	Canada	United States	United Kingdom	Total
	\$	\$	\$	\$
2037	28,000	-	-	28,000
2038	87,000	-	-	87,000
2039	85,000	-	-	85,000
2040	159,000	-	-	159,000
2041	1,414,000	-	-	1,414,000
2042	1,907,000	-	-	1,907,000
2043	1,872,000	-	-	1,872,000
2044	1,202,000	-	-	1,202,000
Indefinite	-	6,795,000	404,000	7,199,000
	6,754,000	6,795,000	404,000	13,953,000

HYDROGRAPH CLEAN POWER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in United States Dollars unless otherwise stated)

14. SUBSEQUENT EVENTS

On December 12, 2024, the Company closed a private placement by issuing 23,960,003 units at a price of \$0.16 CAD per unit for gross proceeds of \$2,693,871 (\$3,833,600 CAD). Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of \$0.24 CAD up to December 12, 2027. In connection with the private placement, the Company issued 1,113,350 finders' warrants and incurred \$125,176 in cash finders' fees. Each finders' warrant is exercisable into a finders' unit, consisting of one common share and one-half of one common share purchase warrant (the "Finder Unit Warrant"), at a price of \$0.16 CAD up to December 12, 2027. Each Finder Unit Warrant is exercisable into one common share at a price of \$0.24 CAD per common share up to December 12, 2027.

On December 18, 2024, the Company granted 500,000 stock options to an employee and an officer at an exercise price of \$0.19 CAD per common share expiring on December 18, 2029. $\frac{1}{4}$ of the options vests on grant date, and the remainder vests at $\frac{1}{4}$ intervals on September 18, 2025, June 18, 2026 and March 18, 2027.

Subsequent to September 30, 2024, 10,937 finders' warrants were exercised for gross proceeds of \$1,750 CAD. The warrants were exercisable at a price of \$0.16 CAD up to June 11, 2027. The finders' warrants were exercised into 10,937 common shares and 5,468 warrants at a price of \$0.27 CAD up to June 11, 2027.

Subsequent to September 30, 2024, 30,000 warrants were exercised for gross proceeds of \$6,000 CAD. The warrants were exercisable at a price of \$0.20 CAD up to April 13, 2025.

Subsequent to September 30, 2024, 112,500 stock options were exercised by a former consultant for gross proceeds of \$28,125 CAD. The stock options were exercisable at a price of \$0.25 CAD up to November 21, 2032.