
HYDROGRAPH CLEAN POWER INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended March 31, 2025 and 2024
(Expressed in United States Dollars)
(Unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

HYDROGRAPH CLEAN POWER INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2025 AND SEPTEMBER 30, 2024
(Expressed in United States dollars)
(Unaudited)

	Note	March 31, 2025 \$	September 30, 2024 \$
ASSETS			
CURRENT ASSETS			
Cash		2,095,695	780,966
Prepays		65,645	37,604
Accounts receivable		19,557	-
Tax receivable		127,229	89,060
		2,308,126	907,630
NON-CURRENT ASSETS			
Technology and development costs	3	3,178,078	3,178,078
Right-of-use asset	5	138,117	167,713
Fixed assets	4	1,063,226	1,150,287
		4,379,421	4,496,078
TOTAL ASSETS		6,687,547	5,403,708
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	6	264,284	440,130
Customer deposits		4,896	-
Lease liability	5	53,456	61,870
		322,636	502,000
NON-CURRENT LIABILITIES			
Other liabilities	6	87,000	102,000
Lease liability	5	105,168	127,073
		192,168	229,073
TOTAL LIABILITIES		514,804	731,073
SHAREHOLDERS' EQUITY			
Share capital	7	18,106,502	15,176,345
Reserves	7	5,722,257	4,918,958
Accumulated other comprehensive loss		(301,840)	(242,914)
Deficit		(17,354,176)	(15,179,754)
TOTAL SHAREHOLDERS' EQUITY		6,172,743	4,672,635
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,687,547	5,403,708

Nature and continuance of operations	1
Commitments	8
Subsequent events	5, 7, 12

Approved on Behalf of the Board of Directors

"David Williams"
David Williams, Director

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

HYDROGRAPH CLEAN POWER INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2025 AND 2024
(Expressed in United States dollars)
(Unaudited)

	Note	Three months ended March 31, 2025 \$	Three months ended March 31, 2024 \$	Six months ended March 31, 2025 \$	Six months ended March 31, 2024 \$
Sales		22,632	3,335	22,948	6,605
Cost of sales		(5,186)	(2,539)	(7,158)	(6,344)
Gross Profit		17,446	796	15,790	261
Expenses					
Depreciation	4, 5	73,357	71,450	145,948	142,900
Exchange and filing fees		13,375	7,375	19,731	32,282
Insurance		37,397	18,468	40,250	22,028
Lease accretion	5	3,377	4,550	7,056	9,379
License maintenance fees		11,228	16,686	79,161	69,781
Office and miscellaneous		56,422	49,598	110,936	110,387
Professional fees		141,231	253,873	279,225	438,721
Rent and occupancy		6,534	11,478	13,068	14,131
Research		94,909	53,748	111,321	80,649
Salaries	6	385,580	562,768	815,346	980,569
Stock-based compensation	6, 7	127,731	72,716	336,884	149,218
Travel and promotion		152,526	85,033	233,260	137,441
Total Expenses		1,103,667	1,207,743	2,192,186	2,187,486
Loss before other items		(1,086,221)	(1,206,947)	(2,176,396)	(2,187,225)
Foreign exchange gain (loss)		(4,544)	29,966	(15,129)	(232,673)
Other income (expenses)		11,511	(9,371)	17,103	1,811
Net loss		(1,079,254)	(1,186,352)	(2,174,422)	(2,418,087)
Other comprehensive income					
Item that will not be reclassified to profit or loss					
Foreign exchange translation adjustment		(949)	(32,078)	(58,926)	251,579
Comprehensive loss		(1,080,203)	(1,218,430)	(2,233,348)	(2,166,508)
Net loss per share, basic and diluted		(0.00)	(0.01)	(0.01)	(0.01)
Weighted average common shares outstanding		256,965,903	187,504,616	246,246,227	179,567,349

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

HYDROGRAPH CLEAN POWER INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED MARCH 31, 2025 AND 2024
(Expressed in United States dollars)
(Unaudited)

		Shares Issued	Share Capital	Reserves	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Note	#	\$	\$	\$	\$	\$
Balance, September 30, 2023		174,775,224	11,600,057	3,394,318	(276,884)	(9,847,768)	4,869,723
Private placement		19,886,856	1,198,033	284,160	-	-	1,482,193
Share issue costs		-	(132,691)	18,226	-	-	(114,465)
Shares issued for warrant exercise		1,492,750	55,629	-	-	-	55,629
Stock-based compensation		-	-	149,218	-	-	149,218
Net loss and comprehensive loss		-	-	-	251,579	(2,418,087)	(2,166,508)
Balance, March 31, 2024		196,154,830	12,721,028	3,845,922	(25,305)	(12,265,855)	4,275,790
Balance, September 30, 2024		230,810,374	15,176,345	4,918,958	(242,914)	(15,179,754)	4,672,635
Private placement	7	23,960,003	2,033,669	668,252	-	-	2,701,921
Share issue costs	7	-	(231,509)	62,103	-	-	(169,406)
Shares issued for warrant exercise	7	6,428,445	1,099,568	(255,082)	-	-	844,486
Shares issued for option exercise	7	112,500	28,429	(8,858)	-	-	19,571
Stock-based compensation	7	-	-	336,884	-	-	336,884
Net loss and comprehensive loss		-	-	-	(58,926)	(2,174,422)	(2,233,348)
Balance, March 31, 2025		261,311,322	18,106,502	5,722,257	(301,840)	(17,354,176)	6,172,743

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

HYDROGRAPH CLEAN POWER INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED MARCH 31, 2025 AND 2024
(Expressed in United States dollars)
(Unaudited)

	2025 \$	2024 \$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	(2,174,422)	(2,418,087)
Add back non-cash items:		
Depreciation	145,948	142,900
Lease accretion	7,056	9,379
Stock-based compensation	336,884	149,218
Unrealized foreign exchange loss	(8,467)	251,580
Changes in non-cash working capital balances:		
Term deposit	-	17
Prepays	(28,041)	18,469
Inventory	-	(11,717)
Accounts receivable	(19,557)	-
Tax receivable	(38,169)	(7,086)
Accounts payable and accrued liabilities	(175,846)	179,101
Customer deposits	4,896	-
Other liabilities	(15,000)	-
Cash used in operating activities	(1,964,718)	(1,686,226)
INVESTING ACTIVITIES		
Acquisition of fixed assets	(29,291)	(29,683)
Cash used in investing activities	(29,291)	(29,683)
FINANCING ACTIVITIES		
Shares issued for cash, net	2,532,515	1,272,637
Shares issued on warrant exercise	844,486	-
Shares issued on option exercise	19,571	-
Proceeds received (repayment of) from a loan	-	74,420
Repayments of lease liability	(37,375)	(37,378)
Cash provided by financing activities	3,359,197	1,309,679
Foreign currency translation differences on cash	(50,459)	-
Increase (decrease) in cash	1,314,729	(406,230)
Cash, beginning	780,966	452,469
Cash, ending	2,095,695	46,239

Supplemental cash flow information – Note 11

HYDROGRAPH CLEAN POWER INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2025 AND 2024 (Expressed in United States Dollars unless otherwise stated) (Unaudited)

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 six months ended March 31, 2025, the Company reported a net loss of \$2,174,422 (2024 – \$2,418,087) negative cash flow from operating activities of \$1,964,718 (2024 – \$1,686,226), and an accumulated deficit of \$17,354,176 (September 30, 2024 – \$15,179,754). These conditions indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations as intended are dependent on its ability to obtain necessary financing and raise capital sufficient to cover its development and operating costs.

These condensed interim 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 condensed interim consolidated financial statements.

2. BASIS OF PRESENTATION

a) Basis of presentation and 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") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended September 30, 2024, which have been prepared in accordance with IFRS as issued by the IASB.

In the preparation of these condensed interim consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended September 30, 2024, except as noted below. The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on May 29, 2025.

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 condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2025 AND 2024****(Expressed in United States Dollars unless otherwise stated)****(Unaudited)**

b) Basis of consolidation

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.

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	
		March 31, 2025	September 30, 2024
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%

c) Adoption Of New Accounting Standards

There were no new standards effective for the six months ended March 31, 2025 that impacted the Company's condensed interim consolidated financial statements.

d) Accounting Standards Issued But Not Yet Effective

There are no new accounting standards issued but not yet effective that may impact the Company's condensed interim consolidated financial statements.

HYDROGRAPH CLEAN POWER INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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3. TECHNOLOGY AND DEVELOPMENT COSTS

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

There were no changes in the technology and development costs during the three and six months ended March 31, 2025 and the years ended September 30, 2024 and 2023. The balance of technology and development costs at March 31, 2025 and September 30, 2024 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 March 31, 2025 and September 30, 2024, no impairment was recognized.

HYDROGRAPH CLEAN POWER INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2025 AND 2024****(Expressed in United States Dollars unless otherwise stated)****(Unaudited)****4. FIXED ASSETS**

	Manufacturing Equipment \$	Leasehold Improvements \$	Furniture \$	Computer \$	Equipment in Process \$	Total \$
Cost						
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
Additions	-	-	7,050	-	22,241	29,291
Transfer	242,977	-	-	-	(242,977)	-
Balance, March 31, 2025	547,390	769,001	31,155	18,867	342,881	1,709,294
Accumulated amortization						
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
Additions	38,541	71,841	3,315	2,655	-	116,352
Balance, March 31, 2025	177,215	441,741	15,560	11,552	-	646,068
Net book value						
Balance, September 30, 2024	165,739	399,101	11,860	9,970	563,617	1,150,287
Balance, March 31, 2025	370,175	327,260	15,595	7,315	342,881	1,063,226

HYDROGRAPH CLEAN POWER INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2025 AND 2024****(Expressed in United States Dollars unless otherwise stated)****(Unaudited)**

5. 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: one until June 30, 2025 and one until June 30, 2027, which were included in the calculation. Subsequent to March 31, 2025, the Company extended the lease to June 30, 2026 with an extension option to June 30, 2028. 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

	March 31, 2025 \$	September 30, 2024 \$
Balance, beginning of period	167,713	226,905
Depreciation charge for the period	(29,596)	(59,192)
Balance, end of period	138,117	167,713

(b) Lease liability

	March 31, 2025 \$	September 30, 2024 \$
Balance, beginning of the period	188,943	246,072
Lease payments	(37,375)	(74,750)
Lease accretion	7,056	17,621
Balance, end of period	158,624	188,943
Current portion	(53,456)	(61,870)
Balance, end of period, non-current portion	105,168	127,073

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

	March 31, 2025 \$
2025	37,375
2026	74,750
2027	62,291
Total minimum lease payments	174,416
Less: imputed interest	(15,792)
Total present value of minimum lease payments	158,624
Less: current portion	(53,456)
Non-current portion	105,168

HYDROGRAPH CLEAN POWER INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2025 AND 2024****(Expressed in United States Dollars unless otherwise stated)****(Unaudited)**

6. RELATED PARTY TRANSACTIONS AND BALANCES

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the current and former board of directors, the Chief Executive Officer, the current and former Chief Financial Officer and the former Chief Accounting Officer. Key management compensation during the three and six months ended March 31, 2025 and 2024 included the following:

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Short-term benefits - management and director compensation	126,802	245,365	233,148	381,730
Share-based payments	67,916	68,661	208,435	141,106
Total	194,718	314,026	441,583	522,836

As at March 31, 2025, \$46,143 (September 30, 2024 – \$76,208) was due to current and former related parties of the Company and has been included in accounts payable and accrued liabilities on the consolidated statement of financial position. As at March 31, 2024, \$87,000 (September 30, 2024 - \$102,000) was due to former related parties of the Company and has been included in other liabilities.

7. SHARE CAPITAL**(a) Authorized Share Capital**

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

Six months ended March 31, 2025

- (i) 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 \$2,701,921 (\$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. The warrants were valued at \$668,252 using the Black-Scholes Option Pricing model with the following weighted-average assumptions: expected life – 3 years; volatility – 82.84%, risk-free rate – 2.94%, dividend yield – 0%. The Company allocated \$2,033,669 and \$668,252 to share capital and reserves, respectively.

In connection with the private placement, the Company issued 1,113,350 finders' warrants and incurred \$125,550 in cash finders' fees and \$43,856 in other 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 \$0.16 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. The finders' warrants were valued at \$62,103 using the Black-Scholes Option Pricing model with the following weighted-average assumptions: expected life – 3 years; volatility – 82.84%, risk-free rate – 2.94%, dividend yield – 0%.

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- (ii) On January 23, 2025, the Company issued 112,500 common shares on option exercise at the exercise price of \$0.17 (\$0.25 CAD) for gross proceeds of \$19,571. The Company transferred the fair value of \$8,858 from contributed surplus to share capital in connection with the exercise.
- (iii) During the six months ended March 31, 2025, the Company issued 6,428,445 common shares on warrant exercise at the average exercise price of \$0.13 (\$0.19 CAD) for gross proceeds of \$844,486. The Company transferred the fair value of \$255,082 from contributed surplus to share capital in connection with the exercises.

Six months ended March 31, 2024

- (i) 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.

- (ii) On December 27, 2023, the Company issued 1,156,750 shares on the exercise of 1,156,750 warrants for gross proceeds of \$43,107.
- (iii) On December 29, 2023, the Company issued 336,000 shares on the exercise of 336,000 warrants for gross proceeds of \$12,521.
- (iv) On February 23, 2024, the Company closed a non-brokered private placement through the issuance of 9,626,000 units for gross proceeds of CAD\$962,600. The units were offered in US dollars and Canadian dollars at the respective prices of US\$0.074 and CAD\$0.10. Each unit consist of one common share and one-half of one common share warrant of the Company. Each whole warrant is exercisable at CAD\$0.18 per warrant for a period of 24 months. The Warrants were valued at \$130,189 using the Black-Scholes Option Pricing model. Accordingly, the Company allocated \$587,249 and \$130,189 to share capital and reserves, respectively. In connection with the financing, the Company issued 607,320 broker warrants with an ascribed value of \$18,226 and incurred \$114,465 in cash finders' fees.

(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

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ceasing to act as a director, officer, employees, or consultant. All stock options which have been issued are equity settled.

During the six months ended March 31, 2025, the Company granted a total of 800,000 stock options to employees and officers of the Company. The options vest as follows: $\frac{1}{4}$ on grant date, $\frac{1}{4}$ on each 9, 18 and 27 months anniversary following the grant date.

The fair value of each stock option granted during the six months ended March 31, 2025 and 2024 was estimated on the date of grant with the following assumptions:

	2025	2024
Risk-free interest rate (%)	2.67-3.04	1.52-4.50
Expected life (years)	5	10
Expected volatility (%)	83-84	84-100
Forfeiture rate (%)	-	-
Expected dividends	-	-

The weighted average fair value of stock options at the grant date for the three and six months ended March 31, 2025 was \$0.15 CAD per option (2024 –\$0.22 CAD). The total share-based compensation expense recognized during the three and six months ended March 31, 2025 for stock options was \$115,789 and \$324,943 (2024 - \$72,716 and \$149,218, respectively).

The changes in options during the six months ended March 31, 2025 and the year ended September 30, 2024 are as follows:

	Options #	Weighted average exercise price (\$ CAD)
Balance, September 30, 2023	16,340,000	0.25
Granted	7,600,000	0.19
Forfeited	(2,829,767)	0.25
Balance, September 30, 2024	21,110,233	0.23
Granted	800,000	0.24
Exercised	(112,500)	0.25
Forfeited	(462,500)	0.24
Balance, March 31, 2025	21,335,233	0.23

The weighted average share price on the date of option exercise during the six months ended March 31, 2025 was \$0.22 CAD.

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Details of the options outstanding and exercisable as at March 31, 2025 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	0.8
1,000,000	1,000,000	0.25	14-Jun-26	1.21
2,000,000	2,000,000	0.25	30-Jun-26	1.25
⁽¹⁾ 7,525,000	4,025,000	0.19	21-Jun-29	4.23
500,000	125,000	0.19	18-Dec-29	4.72
100,000	25,000	0.33	07-Mar-30	4.94
200,000	50,000	0.31	27-Feb-30	4.92
1,000,000	1,000,000	0.25	04-Jan-32	6.77
1,500,000	1,500,000	0.25	28-Feb-32	6.92
1,300,000	650,000	0.25	20-Apr-32	7.06
3,510,000	2,457,000	0.25	21-Nov-32	7.65
700,000	350,000	0.25	12-Jan-33	7.79
750,000	562,500	0.25	06-Apr-33	8.02
21,335,233	14,994,733			4.92

⁽¹⁾ Subsequent to March 31, 2025, 25,000 of these options were forfeited.

(c) Warrants

The changes in warrants during the six months ended March 31, 2025 and the year ended September 30, 2024 are as follows:

	Warrants #	Weighted average exercise price (\$ CAD)
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
Issued	13,517,083	0.23
Exercised	(6,428,445)	0.19
Balance, March 31, 2025	65,385,386	0.21

The weighted average share price on the date of warrant exercise during the six months ended March 31, 2025 was \$0.22 CAD (year ended September 30, 2024 - \$0.08 CAD)

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Details of the warrants outstanding as at March 31, 2025 are as follows:

Outstanding #	Exercise Price (\$ CAD)	Expiry Date	Weighted average remaining life (in years)
5,454,512	0.20	⁽⁷⁾ 13-Apr-25	0.04
431,083	0.12	⁽¹⁾ 13-Apr-25	0.04
17,009,167	0.20	⁽⁶⁾ 15-Sep-25	0.46
5,130,428	0.18	1-Dec-25	0.67
4,936,739	0.18	23-Feb-26	0.90
359,842	0.10	⁽²⁾ 23-Feb-26	0.90
5,787,500	0.18	5-Apr-26	1.01
827,750	0.10	⁽³⁾ 5-Apr-26	1.01
11,415,272	0.27	11-Jun-27	2.20
939,742	0.16	⁽⁴⁾ 11-Jun-27	2.20
11,980,001	0.24	12-Dec-27	2.70
1,113,350	0.16	⁽⁵⁾ 12-Dec-27	2.70
65,385,386			1.31

(1) 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. Subsequent to March 31, 2025, 431,083 of these warrants were exercised into units. Subsequent to March 31, 2025, 215,541 of the warrants within the units were exercised.

(2) Exercisable into a finders' unit, consisting of one common share and one-half of one common share purchase warrant at a price of \$0.10 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.

(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 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.

(4) Exercisable into a finders' unit, consisting of one common share and one-half of one common share purchase warrant, at a price of \$0.16 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. Subsequent to March 31, 2025, 50,597 of these warrants were exercised into units.

(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 December 12, 2027. Each warrant within the unit is exercisable into one common share at a price of \$0.24 CAD per common share up to December 12, 2027.

(6) Subsequent to March 31, 2025, 250,000 of these warrants were exercised.

(7) Subsequent to March 31, 2025, 4,592,680 of these warrants were exercised and 861,832 expired unexercised.

(d) Shares held in escrow

As at March 31, 2025, the Company has nil common shares held in escrow (September 30, 2024 – 1,717,500). These escrow shares were subject to escrow trading restrictions pursuant to the Escrow agreement and were 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

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six months after Listing. During the six months ended March 31, 2025, the final 1,717,500 common shares were released.

8. 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.

9. MANAGEMENT OF CAPITAL

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

As at March 31, 2025, the Company had capital resources consisting of all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares.

10. FINANCIAL INSTRUMENTS**Fair values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values:

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

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 Inputs that are not based on observable market data.

As at March 31, 2025, the Company's financial instruments consisted of cash, accounts receivable, tax receivable, accounts payable and accrued liabilities and other liabilities. Cash is measured at fair value in accordance with Level 1. The fair value of accounts receivable, tax receivable, accounts payable and accrued liabilities and other liabilities approximate their carrying values because of the short-term nature of these instruments.

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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 is exposed to currency risk by having balances and transactions in currencies that are different from its functional currencies. The Company has balances and transactions in United States Dollars, Canadian Dollars and British Pounds. The Company does not use derivative instruments to reduce upward and downward risk associated with foreign currency fluctuations. Cash balances were held in the following currencies at March 31, 2025:

	US Dollars	Canadian Dollars	British Pounds
Cash	122,267	2,791,681	24,578

At March 31, 2025, with other variables unchanged, a 5% movement in the US dollar against the Canadian Dollar and British Pound would change the Company's net loss and comprehensive loss by \$104,796.

(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 March 31, 2025, 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	264,284	-	-
Other liabilities	-	87,000	-
Lease obligation	53,456	105,168	-

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11. SUPPLEMENTAL CASH FLOW INFORMATION

	Six months ended March 31, 2025 \$	Six months ended March 31, 2024 \$
Supplemental cash flow information:		
Cash received for interest	17,103	1,811
Transfer of value from reserves on exercise of warrants	255,082	-
Transfer of value from reserves on exercise of options	8,858	-
Issue costs - warrants	62,103	-

12. SUBSEQUENT EVENTS

Subsequent to March 31, 2025, a total of 5,539,901 warrants were exercised for gross proceeds of \$1,071,470 CAD.

On April 16, 2025, the Company granted 3,437,030 stock options to employees and an officer of the Company. The stock options are exercisable at \$0.26 CAD per share and have an expiry date of April 16, 2030. The stock options vest upon the Company meeting certain milestones.

On April 28, 2025, the Company granted 100,000 stock options to an employee of the Company. The options are exercisable at \$0.24 CAD per share and have an expiry date of April 28, 2030. The options vest as follows: $\frac{1}{4}$ on grant date, $\frac{1}{4}$ on each 9, 18 and 27 months anniversary following the grant date.