Hypersolar, Inc.
Form 10-K
September 23, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM

_____

TO

_____

COMMISSION FILE NUMBER: 000-54437

HYPERSOLAR, INC.

(Name of registrant in its charter)

NEVADA	**26-4298300**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

32 East Micheltorena, Suite A, Santa Barbara, CA 93101

(Address of principal executive offices) (Zip Code)

Issuer's telephone Number: **(805) 966-6566**

Securities registered under Section 12(b) of the Exchange Act: None.

Securities registered under Section 12(g) of the Exchange Act: common stock, par value $0.001 per share

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes **o** No **x**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes**o** No **x**

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes **x** No **o**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files.
Yes **x** No **o**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. **x**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See the definitions of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated Filer
Non-accelerated filer	Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes **o** No **x**

The aggregate market value of the common stock held by non-affiliates of the registrant, based upon the last sale price of the common stock of the Company as of the last business day of its most recently completed second quarter was approximately $1,345,794.

The number of shares of registrant's common stock outstanding, as of September 22, 2014 was 448,562,525.

DOCUMENTS INCORPORATED BY REFERENCE

None.

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS.

Unless otherwise stated or the context requires otherwise, references in this annual report on Form 10-K to "Hypersolar", the "Company", "we", "us", or "our" refer to Hypersolar, Inc.

Overview

Inspired by the photosynthetic process that plants use to harness the power of the sun to create energy molecules, we are developing a novel solar-powered particle system that mimics photosynthesis to separate hydrogen from water. On November 15, 2011, we filed a patent application to protect the intellectual property rights to the production of renewable hydrogen and natural gas using sunlight, water, and carbon dioxide.

Hydrogen is the lightest and abundant chemical element, constituting roughly 75% of the universe's chemical elemental mass (Palmer, D. (13 September 1997). "Hydrogen in the Universe".NASA). However, naturally occurring elemental hydrogen is relatively rare on earth and hydrogen gas is most often produced using fossil fuels. Industrial production is mainly from the steam reforming of natural gas and is usually employed near its production site, with the two largest uses being crude oil processing (hydrocracking) and ammonia production, mostly for the fertilizer market. We are developing what we believe is a cleaner and greener way to produce this high value product.

In addition to the many industrial uses of hydrogen, one of the most intriguing uses, is for fuel cells for transportation. A fuel cell is a device that converts the chemical energy from a fuel into electricity through a chemical reaction with oxygen or another oxidizing agent, using hydrogen as the most common fuel. In 2013, many automotive manufacturers announced plans to develop hydrogen vehicles including Toyota, Honda, Hyundai, and BMW. Source:

(http://www.driveclean.ca.gov/Search_and_Explore/Technologies_and_Fuel_Types/Hydrogen_Fuel_Cell.php)

On May 20, 2014 the first Hyundai fuel cell vehicles (FCEV's) rolled onto U.S. soil marking the first delivery of mass-produced fuel cell hydrogen vehicles in the U.S. market. (Source: http://www.hyundainews.com/us/en-us/Media/PressRelease.aspx?mediaid=40852&title=hyundais-first-mass-produced-tucson-

Our research is centered on developing a low-cost and submersible hydrogen production particle that can split water molecules under the sun, emulating the core functions of photosynthesis. Each particle is a complete hydrogen generator that contains a novel high voltage solar cell bonded to chemical catalysts by a proprietary encapsulation coating. We are striving to reach an open circuit voltage (OCV) goal of 1.5 to effectively split the water molecules to produce hydrogen with our technology. On February 11, 2014, we announced that we had reached open circuit voltage of 1.2. We are currently working on increasing the OCV to 1.5 and building a larger proof of concept prototype of our technology.

Market Opportunity

Hydrogen has a number of applications from chemical processing, petroleum recovery and refining, metal production and fabrication, aerospace, and fuel cells. The sectors with the greatest demand for hydrogen are petroleum refineries for hydrocracking and ammonia production for fertilizer. Transportation fuel is an emerging sector which we believe has an enormous potential in the future. We believe fuel cell technology will be the major growth driver of hydrogen in the future as many major automobile manufacturers such as Honda, Hyundai, BMW and Toyota bring hydrogen powered cars to market.

Hydrogen production is a large and growing industry Market size of global hydrogen production was estimated to be 53 million metric tons in 2010, of which 12% was shared by merchant hydrogen and rest with captive production (Markets and Markets Research; Hydrogen Generation Market). With decreasing sulfur level in petroleum products, lowering crude oil quality and rising demand of hydrogen operated fuel cell applications, global hydrogen production volume is forecasted to grow by compound annual growth rate of 5.6% from 2011 to 2016. The hydrogen production market in terms of value was estimated to be approximately $82 billion in 2011. (Markets and Markets Research; Hydrogen Generation Market)

Our Technology

Technology for Making Renewable Hydrogen from Sunlight

Hydrogen (H2) is the third most abundant element on earth and cleanest fuel in the universe, (Dresselhaus, Mildred et al. (May 15, 2003). "Basic Research Needs for the Hydrogen Economy). Unlike hydrocarbon fuels, such as oil, coal and natural gas, where carbon dioxide and other contaminants are released into the atmosphere when used, hydrogen fuel usage produces only pure water (H2O) as the byproduct. Unfortunately, pure hydrogen does not exist naturally on earth and therefore must be manufactured. Historically, the cost of manufacturing hydrogen as an alternative fuel has been higher than the cost of the energy used to make it. This is the dilemma of the hydrogen Economy, and one that we aim to address.

For over a century, splitting water molecules into hydrogen and oxygen using electrolysis has been well known. This technology can be used to produce an unlimited amount of clean and renewable hydrogen fuel to power a carbon-free world. However, in practice, current commercial electrolysis technologies require (a) expensive electricity, and (b) highly purified water to prevent fouling of system components. We believe these are the major barriers to affordable production of renewable hydrogen.

The Perfect and Sustainable Energy Cycle

As it turns out, Mother Nature has been making hydrogen using sunlight since the beginning of time by splitting water molecules (H2O) into its basic elements - hydrogen and oxygen. This is exactly what plant leaves do every day using photosynthesis. Since the produced hydrogen is immediately consumed inside the plant, we cannot simply grow trees to make hydrogen.

If technology can be developed to mimic photosynthesis to split water into hydrogen, then a truly sustainable, low cost, and renewable energy cycle can be created to power the earth. However, cost has been the biggest barrier to realizing this vision.

Water Splitting

In the process of splitting a water molecule, input energy is transferred into the chemical bonds of the resulting hydrogen molecule. So in essence, manufactured hydrogen is simply a carrier or battery-like storage of the input energy. If the input energy is from fossil fuels, such as oil and gas, then dirty carbon fossil fuel energy is simply transferred into hydrogen. If the input energy is renewable such as solar and wind, then new and clean energy is stored in hydrogen.

While the concept of water splitting is very appealing, the following challenges must be addressed for renewable hydrogen to be commercially viable:

Energy Inefficiency — Since hydrogen is an energy carrier, the most energy it can store is 100% of the input energy. However, conventional systems approach to electrolysis lose so much of the input energy in system components, wires and electrodes resulting in only a small portion of electricity making it into the hydrogen molecules. This translates to high production cost and is the fundamental problem with water splitting for hydrogen production. We intend to address this problem with our low cost and energy efficient particle technology.

Need for Clean Water — Conventional electrolysis requires highly purified clean water to prevent fouling of system components. This prevents current technology from using large quantities of available water from oceans, rivers, industrial waste and municipal waste as feedstock. Our technology is being designed to use any natural water or waste water for the unlimited production of renewable hydrogen.

Technology

Electrolysis water-splitting in its simplest form is the transfer of "input electrons" in the following chemical reactions:

Cathode (reduction): $2\ H_2O + 2e^- \rightarrow H_2 + 2\ OH^-$
Anode (oxidation): $4\ OH^- \rightarrow O_2 + 2\ H_2O + 4\ e^-$

From these equations it can be deduced that if every input electron (e-) is put to work and not lost, then a maximum amount of input electrons (i.e. energy) is transferred and stored in the hydrogen molecules (H2). Additionally, if there were a very high number of cathode and anode reaction areas within a given volume of water, then a very high number of these reactions could happen simultaneously throughout the medium to split each water molecule into hydrogen wherever electrons are available.

To address this fundamental electron transfer efficiency problem, we are developing a novel self-contained particle to maximally ensure that every single electron is put to work in splitting a water molecule. Our self-contained particle has two very important features:

Self-contained Photoelectrochemical System — Our low cost self-contained particle is designed to mimic photosynthesis and contains a solar absorber that generates electrons from sunlight, as well as integrated cathode and anode areas to readily split water and transfer those electrons to the molecular bonds of hydrogen. Unlike solar panels or wind turbines that produce lots of electrons that will be lost before reaching the hydrogen bonds, our particles are optimized to ensure maximal electron generation and utilization efficiency. Consequently, our particles use much less photovoltaic elements, an expensive material, than conventional solar panels to achieve the same system level efficiency. Thereby significantly lowering the system cost of what is essentially an electrolysis process.

Protective Coating — The biggest problem with submerging photovoltaic elements in water for direct electrolysis is corrosion and short circuiting. To address this problem, we are developing a protective coating that encapsulates key elements of the particle to allow it to function for a long period of time in a wide range of water conditions without corrosion. This allows the particles to be submerged or dissolved into any water, such as sea water, runoff water, river water, or waste water, instead of purified distilled water.

In May of 2012, we completed a lab scale prototype of our technology that can be seen on our website at www.hypersolar.com. This prototype demonstrates hydrogen production from small scale solar devices coated with our unique, low-cost polymer coating, and submerged in waste water from a pulp and paper mill. This prototype is used for demonstration purposes only and is not meant for commercial deployment.

HyperSolar H2Generator™

Since our particles are intended to mimic the natural room temperature conditions of photosynthesis, they can be housed in very low cost reactors such as glass vessels or clear plastic bags. To facilitate the commercial use of our self-contained particle technology we are developing a modular system that will enable the daily production and storage of hydrogen for any time use in electricity generation, oil and gas refining, fertilizer manufacturing or any other current and future applications of hydrogen.

The HyperSolar H2Generator comprise of the following primary stages:

Reactor Vessels — These reactors resemble transparent rectangular boxes containing water and tens of thousands of self-contained particles suspended in solution. When exposed to sunlight, hydrogen gas will bubble up into an air gap on top for separation and collection.
Hydrogen Compressor — Produced hydrogen gas will be compressed for space efficient storage
Hydrogen Storage — Hydrogen can be stored in compressed gas tanks or chemical canisters depending on the application.

Distributed and Scalable

The HyperSolar H2Generator will be a self-contained renewable hydrogen production system that requires only sunlight and any source of water. As a result, it can be installed almost anywhere to produce hydrogen fuel for local use. This model of hydrogen production addresses one of the biggest challenges of using clean hydrogen fuel on a large scale - transportation of hydrogen.

Each stage of the HyperSolar H2Generator can be scaled independently according to the hydrogen demands and length of storage required for a specific application. A small scale system can be used to produce continuous renewable electricity for a small house, or a large scale system can be used to produce hydrogen to power a community.

In March of 2013, we announced plans to build the *H2Generator*. We are still in development of this system that uses semiconductor devices immersed in water to split water to form hydrogen without the aid of an external solar panel and electrolyzer. We are currently working on a one square meter demonstration unit of this system.

Intellectual Property

On November 15, 2011 we filed a provisional patent application with the U.S. Patent and Trademark Office to protect the intellectual property rights for ”Photoelectrochemically Active Heterostructures, Methods For Their Manufacture, And Methods And Systems For Producing Desired Products.” Disclosed in that patent application are methods for producing desired chemical products, including hydrocarbons such as methane and other alkanes, synthesis gas (carbon monoxide and hydrogen), and methanol, from carbon dioxide and oxidizable reactant compounds in wastewater as a feedstock using solar energy to drive at least a portion of the chemical reaction process (*e.g.*, to produce hydrogen gas). Photoelectrochemical processes employ photoelectrochemically active heterostructures (PAHs) to absorb sunlight and transform the light energy into electrochemical potential energy, which converts reactants containing hydrogen atoms into products, which react with carbon dioxide to form desired chemical products. On November 14, 2012, we filed the utility patent application for the above and the examination and prosecution of this patent are ongoing.

In February of 2012, we entered into a sponsorship research agreement with the University of California, Santa Barbara. As a result of that agreement, in September of 2012, we jointly filed with the university an additional patent application to protect the intellectual property rights of our proprietary coating for protecting our semiconductor devices from corrosion in various types of water. This patent is titled: “Process And Systems For Stable Operation of Electroactive Devices” The present invention is directed towards processes and systems for stable operation of electrical, electrochemical, photoelectrochemical and photosynthetic devices with increased efficiency, stability, and low cost. In particular, what is disclosed are new functional coating materials and applications of those coatings that are optically transparent, electronically conducting, electrocatalytically active, thermally stable, and which can be applied conformally and easily on an electroactive unit for stable and efficient operation. We believe this patent will be valuable beyond our specific utilization in developing hydrogen from water using the power of the sun. In February of 2013, we filed the utility patent application for the above and the examination and prosecution of this patent are ongoing.

In March of 2014, jointly with the University of California, we filed an additional patent to further protect our technology for the “method and manufacture of multi-junction solar cells.”

Strategic Partners

In February of 2012, we entered into a one year sponsorship research agreement (“SRA”) with the University of California, Santa Barbara (“UCSB”) to help achieve important milestones in the company’s development plan. The focus of the UCSB SRA is to accomplish the following three specific aims:

1) Develop and demonstrate inorganic coating materials that will allow conventional photovoltaic device structures to be used as photoelectrochemical conversion devices immersed in electrolyte solution.
2) Measure the electrochemical oxidation properties of several simulated and actual sampled wastewater solutions.
3) Demonstrate hydrogen production in a device structure based on a porous alumina membrane with semiconducting materials deposited within the pores and capped with anode and cathode electrocatalysts.

As consideration under the SRA, UCSB will receive from the Company, $218,231. When expenditures reach that amount, we will no longer be obligated to fund any additional research activities and UCSB will not be obligated to perform any additional research activities pursuant to the SRA, unless mutually agreed upon. Either us or UCSB may terminate the agreement upon sixty days written notice. U.S. Patent Law and University policy will govern any patentable developments or discoveries throughout the course of the SRA. If such an invention is determined to be jointly owned by us and UCSB, we will prepare and file, at our cost, patent applications for such invention and claim it as a joint invention in the name of both the Company and the University, and shall prosecute and maintain such joint patent rights. Neither party may assign its joint ownership in such patents without the consent of the other party. We have a time-limited first right to negotiate a license to UCSB’s interest in any joint invention.

We believe the partnership with UCSB will enable us to refine our solar-powered particle technology for generating zero carbon hydrogen and renewable natural gas using sunlight, water and carbon dioxide (CO2). The research project will be led by Professor Eric McFarland in the Department of Chemical Engineering at UCSB.

On January 11, 2013, we signed an amendment to this agreement extending it to July 31 for no additional cost. On July 31, 2013, we signed an additional amendment to this agreement extending it to December 31, 2013 for additional consideration of $54,045. On December 16, 2013 we signed an amendment to extend this agreement through June 30, 2014 for additional consideration of $43,459. On April 4, 2014, we signed an amendment to extend the current agreement through December 31, 2014 at no additional cost to the Company.

Competition

Hydrogen is a large and growing industry. According to a report from Markets and Markets, the hydrogen production market in 2011 is $86 billion with a compounded annual growth rate of 5.6%. Currently, most hydrogen is produced by steam reforming of natural gas or methane. This production technology dominates due to easy availability and low prices of natural gas. Partial oxidation of petroleum oil is second in production capacity after steam reforming of natural gas. The third largest production technology in terms of production capacity is steam gasification of coal. The current industry is heavily dominated by large players such as Air Products and Chemicals Inc. and Air Liquide.

The energy source and feedstock used in these existing production technologies are fossil fuels. Therefore, the hydrogen produced is not considered renewable. We are developing a new low cost technology to use sunlight as the energy source to split water into hydrogen in a truly renewable fashion. To our knowledge, there are no commercially available technologies for producing large quantities of renewable hydrogen that is cost competitive with fossil fuel based hydrogen. Niche market electrolysis systems that split water for hydrogen production have existed for a long time but their capital and operating costs are much higher than conventional hydrogen. Various academic and research institutions around the world are attempting to develop renewable hydrogen production technologies as well. To our knowledge, none have reached commercial success.

If we are able to complete the commercial development of our technology, we do not intend to manufacture hydrogen and compete with companies such as Air Liquide. We intend to license our technology to companies like Air Products and Air Liquide for the production of renewable hydrogen used in applications such as hydrogen vehicle fueling stations and hydrogen power plants.

Organizational History

We were incorporated in the State of Nevada on February 18, 2009. Our authorized capital was increased from 505,000,000 to 1,005,000,000 on November 21, 2013.

Corporate Information

Our executive offices are located at 32 East Micheltorena, Suite A, Santa Barbara, CA 93101. Our telephone number is (805) 966-6566.

EMPLOYEES

As of September 22, 2014 we had 1 full-time employee and several consultants. We have not experienced any work stoppages and we consider relations with our employees and consultants to be good.

ITEM 1A. RISK FACTORS

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

OUR LIMITED OPERATING HISTORY DOES NOT AFFORD INVESTORS A SUFFICIENT HISTORY ON WHICH TO BASE AN INVESTMENT DECISION.

We were formed in February 2009 and are currently developing a new technology that has not yet gained market acceptance. There can be no assurance that at this time we will operate profitably or that we will have adequate working capital to meet our obligations as they become due.

Investors must consider the risks and difficulties frequently encountered by early stage companies, particularly in rapidly evolving markets. Such risks include the following:

competition;
need for acceptance of products;
ability to continue to develop and extend brand identity;
ability to anticipate and adapt to a competitive market;
ability to effectively manage rapidly expanding operations;
amount and timing of operating costs and capital expenditures relating to expansion of our business, operations, and infrastructure; and
dependence upon key personnel.

We cannot be certain that our business strategy will be successful or that we will successfully address these risks. In the event that we do not successfully address these risks, our business, prospects, financial condition, and results of operations could be materially and adversely affected and we may have to curtail our business.

WE HAVE A HISTORY OF LOSSES AND HAVE NEVER REALIZED REVENUES TO DATE. WE EXPECT TO CONTINUE TO INCUR LOSSES AND NO ASSURANCE CAN BE GIVEN THAT WE WILL REALIZE REVENUES. ACCORDINGLY, WE MAY NEVER ACHIEVE AND SUSTAIN PROFITABILITY.

As of June 30, 2014, we have incurred an aggregate net loss, and had an accumulated deficit, of $(15,186,280). For the years ended June 30, 2014 and 2013, we incurred net losses of $(11,543,012) and $(1,127,722), respectively. The net losses for the years ended June 30, 2014 and 2013, include non cash expenses of $10,938,756 and $514,237, respectively, associated with the derivatives. We expect to continue to incur net losses until we are able to realize revenues to fund our continuing operations. We may fail to achieve any or significant revenues from sales or achieve or sustain profitability. Accordingly, there can be no assurance of when, if ever, we will be profitable or be able to maintain profitability.

We have historically raised funds through various capital raising transactions. We may require additional funds in the future to fund our business plans, either through additional equity or debt financings or collaborative agreements or from other sources. We have no commitments to obtain such additional financing, and we may not be able to obtain any such additional financing on terms favorable to us, or at all. In the event we are unable to obtain additional financing, we may be unable to implement our business plan. Even with such financing, we have a history of operating losses and there can be no assurance that we will ever become profitable.

WE MAY BE UNABLE TO MANAGE OUR GROWTH OR IMPLEMENT OUR EXPANSION STRATEGY.

We may not be able to develop our product and service offerings or implement the other features of our business strategy at the rate or to the extent presently planned. Our projected growth will place a significant strain on our administrative, operational and financial resources. If we are unable to successfully manage our future growth, establish and continue to upgrade our operating and financial control systems, recruit and hire necessary personnel or effectively manage unexpected expansion difficulties, our financial condition and results of operations could be materially and adversely affected.

WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND COMMERCIALIZE OUR TECHNOLOGIES WHICH WOULD RESULT IN CONTINUED LOSSES AND MAY REQUIRE US TO CURTAIL OR CEASE OPERATIONS.

In May of 2012, we completed a lab scale prototype of our technology. This prototype demonstrates hydrogen production from small scale solar devices coated with our unique, low-cost polymer coating, and submerged in waste water from a pulp and paper mill. However we have not completed a large scale commercial prototype of our

technology and are uncertain at this time when completion of a commercial scale prototype will occur. Although, the lab scale prototype demonstrates the viability of our technology, there can be no assurance that we will be able to commercialize our technology.

On November 15, 2011 we filed a provisional patent application with the U.S. Patent and Trademark Office to protect the intellectual property rights for ”Photoelectrochemically Active Heterostructures, Methods For Their Manufacture, And Methods And Systems For Producing Desired Products.” Disclosed in that patent application are methods for producing desired chemical products, including hydrocarbons such as methane and other alkanes, synthesis gas (carbon monoxide and hydrogen), and methanol, from carbon dioxide and oxidizable reactant compounds in wastewater as a feedstock using solar energy to drive at least a portion of the chemical reaction process (*e.g.*, to produce hydrogen gas). Photoelectrochemical processes employ photoelectrochemically active heterostructures (PAHs) to absorb sunlight and transform the light energy into electrochemical potential energy, which converts reactants containing hydrogen atoms into products, which react with carbon dioxide to form desired chemical products. On November 14, 2012, we filed the utility patent application for the above and the examination and prosecution of this patent are ongoing.

In February of 2012, we entered into a sponsorship research agreement with the University of California, Santa Barbara. As a result of that agreement, in September of 2012, we jointly filed with the university an additional patent application to protect the intellectual property rights of our proprietary coating for protecting our semiconductor devices from corrosion in various types of water. This patent is titled: “Process And Systems For Stable Operation of Electroactive Devices” The present invention is directed towards processes and systems for stable operation of electrical, electrochemical, photoelectrochemical and photosynthetic devices with increased efficiency, stability, and low cost. In particular, what is disclosed are new functional coating materials and applications of those coatings that are optically transparent, electronically conducting, electrocatalytically active, thermally stable, and which can be applied conformally and easily on an electroactive unit for stable and efficient operation. We believe this patent will be valuable beyond our specific utilization in developing hydrogen from water using the power of the sun. In February of 2013, we filed the utility patent application for the above and the examination and prosecution of this patent are ongoing.

In March of 2014, jointly with the University of California, we filed an additional patent to further protect our technology for the “method and manufacture of multi-junction solar cells.”

OUR REVENUES ARE DEPENDENT UPON ACCEPTANCE OF OUR PRODUCTS BY THE MARKET; THE FAILURE OF WHICH WOULD CAUSE US TO CURTAIL OR CEASE OPERATIONS.

We believe that virtually all of our revenues will come from the sale or license of our products. As a result, we will continue to incur substantial operating losses until such time as we are able to develop our product and generate revenues from the sale or license of our products. There can be no assurance that businesses and customers will adopt our technology and products, or that businesses and prospective customers will agree to pay for or license our products. Our technology and product, when fully developed, may not gain market acceptance due to various factors such as not enough cost savings between our method of producing hydrogen and other more conventional methods. In the event that we are not able to significantly increase the number of customers that purchase or license our products, or if we are unable to charge the necessary prices or license fees, our financial condition and results of operations will be materially and adversely affected.

WE FACE INTENSE COMPETITION, AND MANY OF OUR COMPETITORS HAVE SUBSTANTIALLY GREATER RESOURCES THAN WE DO.

We operate in a competitive environment that is characterized by price fluctuation and technological change. We will compete with major international and domestic companies. Some of our current and future potential competitors may have greater market recognition and customer bases, longer operating histories and substantially greater financial, technical, marketing, distribution, purchasing, manufacturing, personnel and other resources than we do. In addition, competitors may be developing similar technologies with a cost similar to, or lower than, our projected costs. As a result, they may be able to respond more quickly to changing customer demands or to devote greater resources to the development, promotion and sales of solar and solar-related products than we can.

Our business plan relies on sales of our products based on either a demand for truly renewable clean hydrogen or economically produced clean hydrogen. If we fail to compete successfully, our business would suffer and we may lose or be unable to gain market share. Neither the demand for our product nor our ability to manufacture have yet been proven.

BECAUSE OUR INDUSTRY IS HIGHLY COMPETITIVE AND HAS LOW BARRIERS TO ENTRY, WE MAY LOSE MARKET SHARE TO LARGER COMPANIES THAT ARE BETTER EQUIPPED TO WEATHER A DETERIORATION IN MARKET CONDITIONS DUE TO INCREASED COMPETITION.

Our industry is highly competitive and fragmented, subject to rapid change and has low barriers to entry. We may in the future compete for potential customers with solar and heating companies and other providers of solar power equipment or electric power. Some of these competitors may have significantly greater financial, technical and marketing resources and greater name recognition than we have.

We believe that our ability to compete depends in part on a number of factors outside of our control, including:

the ability of our competitors to hire, retain and motivate qualified personnel;
the ownership by competitors of proprietary tools to customize systems to the needs of a particular customer;
the price at which others offer comparable services and equipment;
the extent of our competitors' responsiveness to customer needs; and
installation technology.

Competition in the solar power services industry may increase in the future, partly due to low barriers to entry, as well as from other alternative energy resources now in existence or developed in the future. Increased competition could result in price reductions, reduced margins or loss of market share and greater competition for qualified personnel. There can be no assurance that we will be able to compete successfully against current and future competitors. If we are unable to compete effectively, or if competition results in a deterioration of market conditions, our business and results of operations would be adversely affected.

A DROP IN THE RETAIL PRICE OF CONVENTIONAL ENERGY OR NON-SOLAR ALTERNATIVE ENERGY SOURCES MAY NEGATIVELY IMPACT OUR PROFITABILITY.

We believe that a customer's decision to purchase or install solar power capabilities is primarily driven by the cost of electricity from other sources and their anticipated return on investment resulting from solar power systems. Fluctuations in economic and market conditions that impact the prices of conventional and non-solar alternative energy sources, such as decreases in the prices of oil and other fossil fuels, could cause the demand for solar power systems to decline, which would have a negative impact on our profitability. Changes in utility electric rates or net metering policies could also have a negative effect on our business.

OUR BUSINESS DEPENDS ON PROPRIETARY TECHNOLOGY THAT WE MAY NOT BE ABLE TO PROTECT AND MAY INFRINGE ON THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS.

Our success will depend, in part, on our technology's commercial viability and on the strength of our intellectual property rights. The technology is not patented and the only intellectual property rights that exist at present, if any, are trade secret rights. However, trade secrets are difficult to protect and others could independently develop substantially equivalent technology, otherwise gain access to trade secrets relating to the technology. Accordingly, we may not be able to protect the rights to our trade secrets. In addition, any agreements we enter into with our employees, consultants, advisors, customers and strategic partners will contain restrictions on the disclosure and use of trade secrets, inventions and confidential information relating to the technology may not provide meaningful protection in the event of unauthorized use or disclosure.

On November 15, 2011 we filed a provisional patent application with the U.S. Patent and Trademark Office to protect the intellectual property rights for "Photoelectrochemically Active Heterostructures, Methods For Their Manufacture, And Methods And Systems For Producing Desired Products." Disclosed in that patent application are methods for producing desired chemical products, including hydrocarbons such as methane and other alkanes, synthesis gas (carbon monoxide and hydrogen), and methanol, from carbon dioxide and oxidizable reactant compounds in wastewater as a feedstock using solar energy to drive at least a portion of the chemical reaction process (*e.g.*, to produce hydrogen gas). Photoelectrochemical processes employ photoelectrochemically active heterostructures (PAHs) to absorb sunlight and transform the light energy into electrochemical potential energy, which converts reactants containing hydrogen atoms into products, which react with carbon dioxide to form desired chemical

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Third parties may assert that the technology, or the products we or our customers or partners commercialize using the technology, infringes upon their proprietary rights. We have yet to complete an infringement analysis and, even if such an analysis were available at the current time, it is virtually impossible for us to be certain that no infringement exists, particularly in our case where our products have not yet been fully developed.

We may need to acquire additional licenses from third parties in order to avoid infringement. Any required license may not be available to us on acceptable terms, or at all.

We could incur substantial costs in defending ourselves in suits brought against us for alleged infringement of another party's intellectual property rights as well as in enforcing our rights against others, and if we are found to infringe, the manufacture, sale and use of our or our customers' or partners' products could be enjoined. Any claims against us, with or without merit, would likely be time-consuming, requiring our management team to dedicate substantial time to addressing the issues presented. Furthermore, the parties bringing claims may have greater resources than we do.

WE DO NOT MAINTAIN THEFT OR CASUALTY INSURANCE, AND ONLY MAINTAIN MODEST LIABILITY AND PROPERTY INSURANCE COVERAGE AND THEREFORE WE COULD INCUR LOSSES AS A RESULT OF AN UNINSURED LOSS.

We do not maintain theft, casualty insurance, or property insurance coverage. We cannot assure that we will not incur uninsured liabilities and losses as a result of the conduct of our business. Any such uninsured or insured loss or liability could have a material adverse effect on our results of operations.

IF WE LOSE KEY EMPLOYEES AND CONSULTANTS OR ARE UNABLE TO ATTRACT OR RETAIN QUALIFIED PERSONNEL, OUR BUSINESS COULD SUFFER.

Our success is highly dependent on our ability to attract and retain qualified scientific, engineering and management personnel. We are highly dependent on our CEO, Timothy Young, and our development team at the University of California, Santa Barbara. The loss of these valuable resources could have a material adverse effect on our operations. Our officers are employed on "at will" basis. Accordingly, there can be no assurance that they will remain associated with us. Our management's efforts will be critical to us as we continue to develop our technology and as we attempt to transition from a development stage company to a company with commercialized products and services. If we were to lose Mr. Young or the services of the development team at the university or any other key employees or consultants, we may experience difficulties in competing effectively, developing our technology and implementing our business strategies.

THE LOSS OF STRATEGIC RELATIONSHIPS USED IN THE DEVELOPMENT OF OUR PRODUCTS AND TECHNOLOGY COULD IMPEDE OUR ABILITY TO COMPLETE OUR PRODUCT AND RESULT IN A MATERIAL ADVERSE EFFECT CAUSING THE BUSINESS TO SUFFER.

In February of 2012, we entered into a one year sponsorship research agreement ("SRA") with the University of California, Santa Barbara ("UCSB") to help achieve important milestones in the company's development plan. The focus of the UCSB SRA is to accomplish the following three specific aims:

1) Develop and demonstrate inorganic coating materials that will allow conventional photovoltaic device structures to be used as photoelectrochemical conversion devices immersed in electrolyte solution.
2) Measure the electrochemical oxidation properties of several simulated and actual sampled wastewater solutions.
3) Demonstrate hydrogen production in a device structure based on a porous alumina membrane with semiconducting materials deposited within the pores and capped with anode and cathode electrocatalysts.

As consideration under the SRA, UCSB will receive from the Company, $218,231. When expenditures reach that amount, we will no longer be obligated to fund any additional research activities and UCSB will not be obligated to perform any additional research activities pursuant to the SRA, unless mutually agreed upon. Either us or UCSB may terminate the agreement upon sixty days written notice. U.S. Patent Law and University policy will govern any patentable developments or discoveries throughout the course of the SRA. If such an invention is determined to be jointly owned by us and UCSB, we will prepare and file, at our cost, patent applications for such invention and claim it as a joint invention in the name of both the Company and the University, and shall prosecute and maintain such joint patent rights. Neither party may assign its joint ownership in such patents without the consent of the other party. We have a time-limited first right to negotiate a license to UCSB's interest in any joint invention.

We believe the partnership with UCSB will enable us to refine our solar-powered self-contained particle technology for generating zero carbon hydrogen and renewable natural gas using sunlight, water and carbon dioxide (CO2). The research project will be led by Professor Eric McFarland in the Department of Chemical Engineering at UCSB.

On January 11, 2013, we signed an amendment to this agreement extending it to July 31 for no additional cost. On July 31, 2013, we signed an additional amendment to this agreement extending it to December 31, 2013 for additional consideration of $54,045. On December 16, 2013 we signed an amendment to extend this agreement through June 30, 2014 for additional consideration of $43,459. On April 4, 2014, we signed an amendment to extend the current agreement through December 31, 2014 at no additional cost to the Company.

THERE IS SUBSTANTIAL DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN.

Our independent public accounting firm in their report dated September 23, 2014, included an explanatory paragraph expressing substantial doubt in our ability to continue as a going concern without additional capital becoming available. Going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time. Our ability to continue as a going concern ultimately is dependent on our ability to generate a profit which is dependent upon our ability to obtain additional equity or debt financing, attain further operating efficiencies and, ultimately, to achieve profitable operations. As a result, our financial statements do not reflect any adjustment which would result from our failure to continue to operate as a going concern. Any such adjustment, if necessary, would materially affect the value of our assets.

RISKS RELATING TO OUR COMMON STOCK

BECAUSE THERE IS A LIMITED MARKET IN OUR COMMON STOCK, STOCKHOLDERS MAY HAVE DIFFICULTY IN SELLING OUR COMMON STOCK AND OUR COMMON STOCK MAY BE SUBJECT TO SIGNIFICANT PRICE SWINGS.

There is a very limited market for our common stock. Since trading commenced in May 26, 2010, there has been little activity in our common stock and on some days there is no trading in our common stock. Because of the limited market for our common stock, the purchase or sale of a relatively small number of shares may have an exaggerated effect on the market price for our common stock. We cannot assure stockholders that they will be able to sell common stock or, that if they are able to sell their shares, that they will be able to sell the shares in any significant quantity at the quoted price.

IF WE FAIL TO REMAIN CURRENT ON OUR REPORTING REQUIREMENTS, WE COULD BE REMOVED FROM THE OTC BULLETIN BOARD WHICH WOULD LIMIT THE ABILITY OF BROKER-DEALERS TO SELL OUR SECURITIES AND THE ABILITY OF STOCKHOLDERS TO SELL THEIR SECURITIES IN THE SECONDARY MARKET.

Securities traded on the OTC Bulletin Board must be registered with the Securities and Exchange Commission and the issuer must be current with its filings pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1933, as amended, in order to maintain price quotation privileges on the OTC Bulletin Board. If we fail to remain current in our reporting requirements, we could be removed from the OTC Bulletin Board. As a result, the market liquidity of our securities could be severely adversely affected by limiting the ability of broker-dealers to trade our securities and the ability of stockholders to sell their securities in the secondary market. In addition, we may be unable to get re-listed on the OTC Bulletin Board, which may have an adverse material effect on our Company.

WE DO NOT EXPECT TO PAY DIVIDENDS IN THE FUTURE; ANY RETURN ON INVESTMENT MAY BE LIMITED TO THE VALUE OF OUR COMMON STOCK.

We do not currently anticipate paying cash dividends in the foreseeable future. The payment of dividends on our Common Stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as the board of directors may consider relevant. Our current intention is to apply net earnings, if any, in the foreseeable future to increasing our capital base and development and marketing efforts. There can be no assurance that the Company will ever have sufficient earnings to declare and pay dividends to the holders of our Common Stock, and in any event, a decision to declare and pay dividends is at the sole discretion of the our Board of Directors. If we do not pay dividends, our Common Stock may be less valuable because a return on your investment will only occur if its stock price appreciates.

OUR COMMON STOCK COULD BE SUBJECT TO EXTREME VOLATILITY.

The trading price of our common stock may be affected by a number of factors, including events described in the risk factors set forth in this report, as well as our operating results, financial condition and other events or factors. In addition to the uncertainties relating to future operating performance and the profitability of operations, factors such as variations in interim financial results or various, as yet unpredictable, factors, many of which are beyond our control, may have a negative effect on the market price of our common stock. In recent years, broad stock market indices, in general, and smaller capitalization companies, in particular, have experienced substantial price fluctuations. In a volatile market, we may experience wide fluctuations in the market price of our common stock and wide bid-ask spreads. These fluctuations may have a negative effect on the market price of our common stock. In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our stock.

THERE IS A LARGE NUMBER OF AUTHORIZED BUT UNISSUED SHARES OF CAPITAL STOCK AVAILABLE FOR ISSUANCE, WHICH MAY RESULT IN SUBSTANTIAL DILUTION TO EXISTING SHAREHOLDERS.

Our Certificate of Incorporation authorizes the issuance of up to 1,000,000,000 shares of common stock, par value $0.001 and 5,000,000 shares of preferred stock, par value $0.001, of which 429,348,439 shares of common stock and no shares of preferred stock are currently outstanding. Our Board of Directors has the ability to authorize the issuance of 1,000,000,000 shares of common stock and 5,000,000 shares of preferred stock without shareholder approval. Any such issuance will result in substantial dilution to existing shareholders. In addition, the availability of such a large number of capital stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company.

WE HAVE NEVER PAID COMMON STOCK DIVIDENDS AND HAVE NO PLANS TO PAY DIVIDENDS IN THE FUTURE, AS A RESULT OUR COMMON STOCK MAY BE LESS VALUABLE BECAUSE A RETURN ON AN INVESTOR'S INVESTMENT WILL ONLY OCCUR IF OUR STOCK PRICE APPRECIATES.

Holders of shares of our common stock are entitled to receive such dividends as may be declared by our board of directors. To date, we have paid no cash dividends on our shares of common stock and we do not expect to pay cash dividends on our common stock in the foreseeable future. We intend to retain future earnings, if any, to provide funds for operations of our business. Therefore, any return investors in our common stock may have will be in the form of appreciation, if any, in the market value of their shares of common stock. There can be no assurance that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

IF OUR COMMON STOCK REMAINS SUBJECT TO THE SEC'S PENNY STOCK RULES, BROKER-DEALERS MAY EXPERIENCE DIFFICULTY IN COMPLETING CUSTOMER TRANSACTIONS AND TRADING ACTIVITY IN OUR SECURITIES MAY BE ADVERSELY AFFECTED.

Unless our common stock is listed on a national securities exchange, including the Nasdaq Capital Market or we have stockholders' equity of $5,000,000 or less and our common stock has a market price per share of less than $4.00, transactions in our common stock will be subject to the SEC's "penny stock" rules. If our common stock remains subject to the "penny stock" rules promulgated under the Securities Exchange Act of 1934, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected.

In accordance with these rules, broker-dealers participating in transactions in low-priced securities must first deliver a risk disclosure document that describes the risks associated with such stocks, the broker-dealer's duties in selling the stock, the customer's rights and remedies and certain market and other information. Furthermore, the broker-dealer must make a suitability determination approving the customer for low-priced stock transactions based on the customer's financial situation, investment experience and objectives. Broker-dealers must also disclose these restrictions in writing to the customer, obtain specific written consent from the customer, and provide monthly account statements to the customer. The effect of these restrictions will probably decrease the willingness of broker-dealers to make a market in our common stock, decrease liquidity of our common stock and increase transaction costs for sales and purchases of our common stock as compared to other securities. Our management is aware of the abuses that have occurred historically in the penny stock market.

As a result, if our common stock becomes subject to the penny stock rules, the market price of our securities may be depressed, and you may find it more difficult to sell our securities.

WE MAY NEED ADDITIONAL CAPITAL, AND THE SALE OF ADDITIONAL SHARES OR OTHER EQUITY SECURITIES COULD RESULT IN ADDITIONAL DILUTION TO OUR STOCKHOLDERS.

If our resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in additional dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. Financing may not be available in amounts and on terms acceptable to us, or at all. In addition, the successful execution of our business plan requires significant cash resources, including cash for investments and acquisition. Changes in business conditions and future developments could also increase our cash requirements. To the extent we are unable to obtain external financing, we will not be able to execute our business plan effectively. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES.

Our principal office is located at 32 East Micheltorena, Suite A, Santa Barbara, CA, 93101. We lease approximately 1,200 square feet, with an annual cost of approximately $17,400. The term of the lease is nine(9) months and a week, which expires on February 28, 2015. We believe that our current premises are sufficient to handle our activities for the near future.

ITEM 3. LEGAL PROCEEDINGS.

We are not currently a party to, nor is any of our property currently the subject of, any pending legal proceeding that will have a material adverse effect on our business.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

On May 26, 2010, our common stock became eligible for quotation on the OTC Bulletin Board under the symbol "HYSR.OB."

For the periods indicated, the following table sets forth the high and low bid prices per share of common stock. These high and low bid prices represent prices quoted by broker-dealers on the OTC Bulletin Board. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

Period	High	Low
First Quarter FY 2014	$0.02	$0.004
Second Quarter FY 2014	$0.015	$0.0044
Third Quarter FY 2014	$0.1345	$0.0035
Fourth Quarter FY 2014	$0.0569	$0.025
First Quarter FY 2013	$.03	$0.021
Second Quarter FY 2013	$0.023	$0.006
Third Quarter FY 2013	$0.0195	$0.0061
Fourth Quarter FY 2013	$0.015	$0.0063

Securities

Our Articles of Incorporation, as amended, authorize the issuance of 1,000,000,000 shares of common stock, $.001 par value per share and 5,000,000 shares of preferred stock, par value $.001 per share.

All outstanding shares of Common Stock are of the same class and have equal rights and attributes. The holders of our Common Stock are entitled to one vote per share on all matters submitted to a vote of our stockholders. All stockholders are entitled to share equally in dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally available. In the event of liquidation, the holders of our Common Stock are entitled to share ratably in all assets remaining after payment of all liabilities. The stockholders do not have cumulative or preemptive rights.

15

As of September 22, 2014, our common stock was held by 74 stockholders of record and we had 448,562,525 shares of common stock issued and outstanding. We believe that the number of beneficial owners is substantially greater than the number of record holders because a significant portion of our outstanding common stock is held of record in broker street names for the benefit of individual investors. The transfer agent of our common stock is Computershare Trust Company N.A., 250 Royall Street Canton, MA 02021.

Dividend Policy

We have never declared or paid any cash dividends on our common stock. We do not anticipate paying any cash dividends to stockholders in the foreseeable future. In addition, any future determination to pay cash dividends will be at the discretion of the board of directors and will be dependent upon our financial condition, results of operations, capital requirements, and such other factors as the Board of Directors deem relevant. There are no restrictions in our articles of incorporation or bylaws that restrict us from declaring dividends.

Securities Authorized For Issuance Under Equity Compensation Plans

We do not have any compensation plans or arrangements under which equity securities are authorized for issuance.

Recent Sales of Unregistered Securities

During the three months ended June 30, 2014, the Company issued 44,356,816 shares of common stock upon conversion of $130,050 in principal, plus accrued interest of $9,231.

The Company relied on an exemption pursuant to Rule 506 of Regulation D and/or Section 4(a)(2) of the Securities Act of 1933, as amended in connection with the sale and issuances of its shares of common stock described above.

Issuer Purchases of Equity Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Cautionary Statement Regarding Forward-Looking Statements

The information in this discussion may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties, including statements regarding our capital needs, business strategy and expectations. Any statements that are not of historical fact may be deemed to be forward-looking statements. These forward-looking statements involve substantial risks and uncertainties. In some cases you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potential," or "continue", the negative of the terms or other comparable terminology. Unless the context otherwise requires, references in this Form 10-Q to "we," "us," "our," or the "Company" refer to Hypersolar, Inc. Forward-looking statements in this Report may also include references to anticipated sales volume and product margins, efforts aimed at establishing new or improving existing relationships with customers, other business development activities, anticipated financial performance, business prospects and similar matters. Actual events or results may differ materially from the anticipated results or other expectations expressed in the forward-looking statements. In evaluating these statements, you should consider various factors, including the risks included from time to time in other reports or registration statements filed with the United States Securities and Exchange Commission. These factors may cause our actual results to differ materially from any forward-looking statements. We disclaim any obligation to publicly update these statements, or disclose any difference between actual results and those reflected in these statements.

Overview

Inspired by the photosynthetic process that plants use to harness the power of the sun to create energy molecules, we are developing a novel solar-powered particle system that mimics photosynthesis to separate hydrogen from water. On November 15, 2011, we filed a patent application to protect the intellectual property rights to the production of renewable hydrogen and natural gas using sunlight, water, and carbon dioxide.

Hydrogen is the lightest and abundant chemical element, constituting roughly 75% of the universe's chemical elemental mass (Palmer, D. (13 September 1997). "Hydrogen in the Universe".NASA). However, naturally occurring elemental hydrogen is relatively rare on earth and hydrogen gas is most often produced using fossil fuels. Industrial production is mainly from the steam reforming of natural gas and is usually employed near its production site, with the two largest uses being crude oil processing (hydrocracking) and ammonia production, mostly for the fertilizer market. We are developing what we believe is a cleaner and greener way to produce this high value product.

In addition to the many industrial uses of hydrogen, one of the most intriguing uses, is for fuel cells for transportation. A fuel cell is a device that converts the chemical energy from a fuel into electricity through a chemical reaction with oxygen or another oxidizing agent, using hydrogen as the most common fuel. In 2013, many automotive manufacturers announced plans to develop hydrogen vehicles including Toyota, Honda, Hyundai, and BMW. Source:

(http://www.driveclean.ca.gov/Search_and_Explore/Technologies_and_Fuel_Types/Hydrogen_Fuel_Cell.php)

On May 20, 2014 the first Hyundai fuel cell vehicles (FCEV's) rolled onto U.S. soil marking the first delivery of mass-produced fuel cell hydrogen vehicles in the U.S. market. (Source: http://www.hyundainews.com/us/en-us/Media/PressRelease.aspx?mediaid=40852&title=hyundais-first-mass-produced-tucson-

Our research is centered on developing a low-cost and submersible hydrogen production particle that can split water molecules under the sun, emulating the core functions of photosynthesis. Each particle is a complete hydrogen generator that contains a novel high voltage solar cell bonded to chemical catalysts by a proprietary encapsulation coating. We are striving to reach an open circuit voltage (OCV) goal of 1.5 to effectively split the water molecules to produce hydrogen with our technology. On February 11, 2014, we announced that we had reached open circuit voltage of 1.2. We are currently working on increasing the OCV to 1.5 and building a larger proof of concept prototype of our technology.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to impairment of property, plant and equipment, intangible assets, deferred tax assets and fair value computation using the Black Scholes option pricing model. We base our estimates on historical experience and on various other assumptions, such as the trading value of our common stock and estimated future undiscounted cash flows, that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions; however, we believe that our estimates, including those for the above-described items, are reasonable.

Revenue Recognition

Revenue on product sales is recognized when persuasive evidence of an arrangement exists, such as when a purchase order or contract is received from the customer, the selling price is fixed, title to the goods has changed and there is a reasonable assurance of collection of the sales proceeds. We obtain written purchase authorizations from our customers for a specified amount of product at a specified price and consider delivery to have occurred at the time of shipment. Revenue is recognized at shipment and we record a reserve for estimated sales returns, which is reflected as a reduction of revenue at the time of revenue recognition.

Use of Estimates

In accordance with accounting principles generally accepted in the United States, management utilizes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates and assumptions relate to recording net revenue, collectibility of accounts receivable, useful lives and impairment of tangible and intangible assets, accruals, income taxes, inventory realization, stock-based compensation expense, Black Scholes valuation model inputs, and other factors. Management believes it has exercised reasonable judgment in deriving these estimates. Consequently, a change in conditions could affect these estimates.

Fair Value of Financial Instruments

The Company's cash, accounts payable, accrued interest, and note payable are stated at cost which approximates fair value due to the short-term nature of these instruments.

Recently Adopted Accounting Pronouncements

Management reviewed accounting pronouncements issued during the three months ended June 30, 2014, and adopted the pronouncements disclosed in the notes.

Liquidity and Capital Resources

As of June 30, 2014, we had a working capital deficit of $9,262,871as compared to $938,380 as of June 30, 2013. This increase in working capital deficit of $8,324,491 was due primarily to an increase in accrued expense, derivative liability, convertible notes with a decrease in accounts payable.

Cash flow used in operating activities was $503,729 for the year ended June 30, 2014 and $392,097 for the prior period June 30, 2013. The increase in cash used by operating activities was primarily due to a decrease in prepaid expenses, deposits, accounts payable, with an increase in accrued expenses, derivative liability, and amortization of debt discount. The Company has had no revenues and has received funds through issuance of convertible notes.

Cash used in investing activities for the year ended June 30, 2014 was $18,080, compared to $0 for the prior year ended June 30, 2013. The increase was due to purchases of intangible and fixed assets for the current period.

Cash provided by financing activities during the year ended June 30, 2014 was $567,500 and $393,480 for the prior period ending June 30, 2013. The increase of $174,020 in financing activities was due to equity financing and convertible debt during the current period.

Our financial statements as of June 30, 2014 have been prepared under the assumption that we will continue as a going concern for the year ended June 30, 2014. Our independent registered public accounting firm have issued their report dated September 23, 2014 that included an explanatory paragraph expressing substantial doubt in our ability to continue as a going concern without additional capital becoming available. Our ability to continue as a going concern ultimately is dependent on our ability to generate a profit which is dependent upon our ability to obtain additional equity or debt financing, attain further operating efficiencies and, ultimately, to achieve profitable operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We believe our current cash balance as of September 23, 2014, and commitments of future monies through investors, including additional equity financing will fund our operations for the next twelve months as continue to progress our technology. However, there may be unforeseen operational issues such as multiple rounds of design and redesign of the prototype that may exceed our current projected budget. If any unforeseen circumstances should we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in additional dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. Financing may not be available in amounts and on terms acceptable to us, or at all. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders. If we are unable to obtain additional financing, we may be forced to curtail our operations.

PLAN OF OPERATION AND FINANCING NEEDS

Our plan of operation within the next twelve months is to further research, develop, and protect our technology.

Working with consultants and academic institutions, we are working towards our goal of open-circuit voltage of 1.5 volts in our self–contained particles for splitting water molecules. We will be looking to add further expertise to our team in the near future.

In tandem with work on our self-contained particles, we will be working on the system side of the H2 Generator and production unit and larger prototype.

Our financing needs consist of general operating expenses, sponsorship agreements with academic institutions, patent prosecution and IP protection and paying consultants.

Operating Expenses

Operating expenses for the year ended June 30, 2014 were $558,669 and $604,121 for the prior period June 30, 2013. The net decrease in operating expenses consisted primarily of the investor relations, and research and development cost.

Other Income/(Expenses)

Other income and (expenses) for the year ended June 30, 2014 were $10,984,343 and $523,601 for the prior period June 30, 2013. The increase in income and (expenses) was the result of an increase in net loss on change in fair value of derivative instruments of $10,104,775, amortization of debt discount of $280,705, net gain on settlement of debt of $39,039, and interest expense of $26,223, with a decrease in gain on forgiveness of debt of $10,000. The overall increase is the result of debt financing.

Net Loss

For the year ended June 30, 2014, our net loss was $11,543,012 and $1,127,722 for the prior period June 30, 2013. The increase in net loss was related primarily to operating expenses, and other income and (expenses). We recently began operating our business, and no revenues were generated to cover our operating costs.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS.

All financial information required by this Item is attached hereto at the end of this report beginning on page F-1 and is hereby incorporated by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

ITEM 9A. CONTROLS AND PROCEDURES.

(a) *Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our CEO and our CFO, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our CEO and our CFO concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective such that information required to be disclosed is by the issuer in the reports that it files or submits under the Act is (i) recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions as appropriate to allow timely decisions regarding required disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) *Changes in Internal Controls.* During the three months ended June 30, 2014, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting.

We are responsible for establishing and maintaining adequate internal control over financial reporting in accordance with Exchange Act Rule 13a-15. With the participation of our Chief Executive Officer and Acting Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2014 based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of June 30, 2014, based on those criteria. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permanently exempts smaller reporting companies.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CORPORATE GOVERNANCE

The following table sets forth information about our executive officers, key employees and directors:

Name	Age	Position
Timothy Young	49	President, CEO and Chairman

Timothy Young – President, CEO and Director

Tim Young is an accomplished executive with over 15 years of management experience in media and Internet technology companies. Mr. Young was appointed, President, CEO and Chairman of the Company in August 2009. From September 2007 through August 2009, Mr. Young was the President of Rovion, Inc., an internet media startup company, where he increased revenues through a channel sales strategy that included companies such as Clear Channel, Disney, CBS, and Fox Television and bolstered the company's technical capabilities through strategic acquisitions.

Prior to Rovion, Mr. Young was employed by Time Warner Inc. from October 1998 through July 2007, where he served as Vice President and Regional Vice President of various divisions including America Online and Time Warner Cable. During his tenure, Mr. Young built some of the highest performing sales organizations at Time Warner with responsibilities ranging from product development, marketing, staff training to leadership development. After Time Warner's acquisition of Adelphia Media Services and Comcast in 2004, Mr. Young served as Regional Vice President of Western Region, and was responsible for successfully integrating the California sales teams which accounted for over $200 million in revenues with 250 sales and marketing personnel, and launched several new product offerings. Mr. Young also serves on the board of Calypso Media Group, a full service discount advertising agency specializing in COOP advertising. Mr. Young's track record of success and over fifteen plus years of management and leadership experience bringing new products to the market, qualifies him to be a board member of HyperSolar, Inc.

Board Leadership Structure and Role in Risk Oversight

Although we have not adopted a formal policy on whether the Chairman and Chief Executive Officer positions should be separate or combined, we have traditionally determined that it is in the best interests of the Company and its

shareholders to combine these roles. Due to the small size and early stage of the Company, we believe it is currently most effective to have the Chairman and Chief Executive Officer positions combined.

Our Board of Directors focuses on the most significant risks facing our company and our company's general risk management strategy, and also ensure that risks undertaken by our Company are consistent with the Board's appetite for risk. While the Board oversees our company's risk management, management is responsible for day-to-day risk management processes. We believe this division of responsibilities is the most effective approach for addressing the risks facing our company and that our Board leadership structure supports this approach.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past ten years, none of our directors, executive officers, promoters, control persons, or nominees has been:

the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or any Federal or State authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities;

found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law.

the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of (a) any Federal or State securities or commodities law or regulation; (b) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (c) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

COMMITTEES OF THE BOARD

We currently have no audit committee, compensation committee, nominations and governance committee of our board of directors. We do not have an audit committee financial expert.

INDEBTEDNESS OF EXECUTIVE OFFICERS AND DIRECTORS

No executive officer, director or any member of these individuals' immediate families or any corporation or organization with whom any of these individuals is an affiliate is or has been indebted to us since the beginning of our last fiscal year.

FAMILY RELATIONSHIPS

There are no family relationships among our executive officers and directors.

CODE OF ETHICS

We have adopted a Code of Ethics that applies to all of our directors, officers and employees. A copy of the Code of Ethics can be obtained without charge upon request to Timothy Young, CEO and President, 32 East Micheltorena, Suite A, Santa Barbara, CA 93101 is also been filed as an exhibit to this Annual Report. Any waiver of the provisions of the Code of Ethics for executive officers and directors may be made only by the Board of Directors. Any such waivers will be promptly disclosed to our shareholders.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, file reports of ownership and changes in ownership with the Securities and Exchange Commission and with any exchange on which the Company's securities are traded. Officers, directors and persons owning more than ten percent of such securities are required by Commission regulation to file with the Commission and furnish the Company with copies of all reports required under Section 16(a) of the Exchange Act. To our knowledge, based solely upon our review of the copies of such reports furnished to us, during the fiscal year ended June 30, 2014, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners were complied with.

CHANGES IN NOMINATING PROCEDURES

None

ITEM 11. EXECUTIVE COMPENSATION.

The following the table below sets forth the compensation earned by each person acting as our Principal Executive Officer and our other most highly compensated executive officers whose total annual compensation exceeded $100,000.

Name & Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation	Non-Qualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)

						($)	($)		
Timothy Young, CEO and Acting CFO	2014	$255,000	0	0	0	0	0	0	$255,000
	2013	$255,000	0	0	0	0	0	0	$255,000

Outstanding Equity Awards at Fiscal Year-End

There were no grants of options to purchase our common stock to the named executive officers at June 30, 2014.

EMPLOYMENT AGREEMENTS

Our CEO, Timothy Young is employed as an “at- will” employee whose employment with the Company may be terminated at any time by either party. We have agreed to pay Mr. Young an annual salary of $255,000, subject to modification in accordance with the Company’s policies, practices and procedures. In addition, we have agreed to pay Mr. Young three months base salary, in the event his employment is terminated by the Company. Mr. Young is eligible to receive a quarterly bonus as determined by the Company’s Board of Directors and to participate in any benefit plan implemented by the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following tables sets forth, as of September 22, 2014, the number of and percent of our common stock beneficially owned by:

all directors and nominees, naming them,
our executive officers,
our directors and executive officers as a group, without naming them, and

We believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

A person is deemed to be the beneficial owner of securities that can be acquired by him within 60 days from September 22, 2014 upon the exercise of options, warrants or convertible securities. Each beneficial owner's percentage ownership is determined by assuming that options, warrants or convertible securities that are held by him, but not those held by any other person, and which are exercisable within 60 days of September 22, 2014 have been exercised and converted.

Title of Class	Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Common Stock(1)	
Common Stock	Timothy A. Young	10,000,000	2.22	%
Common Stock	Cumorah Capital, Inc.	32,363,300	7.19	%
Common Stock	All Executive Officers and Directors as a Group (1 person)	10,000,000	2.22	%

(1) Based upon 429,348,439 shares issued and outstanding as of September 22, 2014.

(2) William E. Beifuss holds voting and dispositive power over the shares held by Cumorah Capital, Inc.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Certain Relationships and Related Transactions

Since the beginning of our last fiscal year, there have been and there are no currently proposed transaction, in which we are or was to be a participant and the amount involved exceeds $120,000, and in which any related person had or will have a direct or indirect material interest.

Director Independence

We do not currently have any directors who are independent as that term is defined under the Nasdaq Marketplace Rules.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees

The aggregate fees billable to us by HJ Associates & Consultants, LLP during 2014 and 2013 for the audits and quarterly reviews of our financial statements for the fiscal year totaled approximately $24,000 and $25,500, respectively.

Audit-Related Fees

We incurred assurance and audit-related fees during 2014 and 2013 of $0 and $0 respectively, to HJ Associates & Consultants, LLP in connection with the audit of the financial statements of the Company for the years ended June 30, 2014 and June 30, 2013, for the reviews of registration statements and issuance of related consents and assistance with SEC comment letters.

Tax Fees

We incurred fees of $0 and $0 billed to us by HJ Associates & Consultants, LLP for services rendered to us for tax compliance, tax advice, or tax planning for the fiscal year ended June 30, 2014 and June 30, 2013, respectively.

All Other Fees

There were no fees billed to us by HJ Associates & Consultants, LLP for services rendered to us during the last two fiscal years, other than the services described above under “Audit Fees” and “Audit-Related Fees.”

As of the date of this filing, our current policy is to not engage HJ Associates & Consultants, LLP to provide, among other things, bookkeeping services, appraisal or valuation services, or international audit services. The policy provides that we engage HJ Associates & Consultants, LLP to provide audit, tax, and other assurance services, such as review

of SEC reports or filings.

25

ITEM 15. EXHIBITS.

Exhibit No.	Description
3.1	Articles of Incorporation of HyperSolar, Inc. filed with the Nevada Secretary of State on February 18, 2009. (incorporated by reference to the Company's registration on Form S-1 filed with the Securities and Exchange Commission on February 5, 2010)
3.2	Articles of Amendment of Articles of Incorporation of HyperSolar, Inc. filed with the Nevada Secretary of State on September 11, 2009. (incorporated by reference to the Company's registration on Form S-1 filed with the Securities and Exchange Commission on February 5, 2010)
3.3	Articles of Amendment of Articles of Incorporation of HyperSolar, Inc. filed with the Nevada Secretary of State on November 21, 2013. (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 21, 2013)
3.4	Bylaws of HyperSolar, Inc. (incorporated by reference to the Company's registration on Form S-1 filed with the Securities and Exchange Commission on February 5, 2010)
10.1	Form of Subscription Agreement dated as of September 21, 2010. (incorporated by reference to the Company's registration on Form S-1 filed with the Securities and Exchange Commission on February 5, 2010)
10.2	Form of Subscription Agreement dated as of April 10, 2009 (Incorporated by reference to the Company's registration on Form S-1 filed with the Securities and Exchange Commission on March 25, 2010)
10.3	Form of Subscription Agreement dated as of April 17, 2009 (Incorporated by reference to the Company's registration on Form S-1 filed with the Securities and Exchange Commission on March 25, 2010)
10.4	Offer of Employment to Timothy Young dated August 13, 2009 (Incorporated by reference to the Company's registration on Form S-1 filed with the Securities and Exchange Commission on March 25, 2010)
10.5	Consulting Agreement between Hypersolar, Inc. and Nadir Dagli dated as of March 1, 2009(Incorporated by reference to the Company's registration on Form S-1 filed with the Securities and Exchange Commission on March 25, 2010)
10.6	Invention Transfer dated as of June 10, 2009(Incorporated by reference to the Company's registration on Form S-1 filed with the Securities and Exchange Commission on March 25, 2010)
10.7	Lease Agreement dated as of July 26, 2011(Incorporated by reference to the Company's annual report on Form 10-K filed with the Securities and Exchange Commission on September 28, 2011).
10.8	Securities Purchase Agreement between Hypersolar, Inc. and Asher Enterprises, Inc. dated as of September 19, 2012 (Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2012).

10.9	Form of Note issued pursuant to Securities Purchase Agreement between Hypersolar, Inc. and Asher Enterprises, Inc. dated as of September 19, 2012 (Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2012).
14	Code of Ethics (Incorporated by reference to the Company's annual report on Form 10-K filed with the Securities and Exchange Commission on September 28, 2012).
31.1*	Certification by Chief Executive Officer and Acting Chief Financial Officer pursuant to Sarbanes-Oxley Section 302
32.1 *	Certification by Chief Executive Officer and Acting Chief Financial Officer pursuant to 18 U.S.C. Section 1350

EX-101.INS * XBRL INSTANCE DOCUMENT

EX-101.SCH * XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT

EX-101.CAL * XBRL TAXONOMY EXTENSION CALCULATION LINKBASE

EX-101.DEF * XBRL TAXONOMY EXTENSION DEFINITION LINKBASE

EX-101.LAB * XBRL TAXONOMY EXTENSION LABELS LINKBASE

EX-101.PRE * XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

***Filed herewith**

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HYPERSOLAR, INC.

Date: September 23, 2014 By: /s/ Timothy Young
CHIEF EXECUTIVE OFFICER PRESIDENT (PRINCIPAL EXECUTIVE OFFICER), ACTING CHIEF FINANCIAL OFFICER

(PRINCIPAL ACCOUNTING AND FINANCIAL OFFICER) AND CHAIRMAN

27

INDEX TO FINANCIAL STATEMENTS

50 West Broadway, Suite 600

Salt Late City, Utah 84101

(801) 328-4408

ASSOCIATES & CONSULTANTS, L.L.P.

Fax (801) 328-4461

www.hjcpafirm.com

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

HyperSolar, Inc.

Santa Barbara, California

We have audited the accompanying balance sheets of HyperSolar, Inc. as of June 30, 2014 and 2013, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HyperSolar, Inc. as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in the Note 1 to the financial statements, the Company does not generate revenue and has negative cash flows from operations. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/HJ Associates & Consultants, LLP

HJ Associates & Consultants, LLP

Salt Lake City, Utah

September 23, 2014

F-2

HYPERSOLAR, INC.

BALANCE SHEETS

	June 30, 2014	June 30, 2013
ASSETS		
CURRENT ASSETS		
Cash	$61,628	$15,937
Prepaid expenses and other current assets	-	11,855
TOTAL CURRENT ASSETS	61,628	27,792
PROPERTY & EQUIPMENT		
Computers and peripherals	6,218	4,198
Less: accumulated depreciation	(4,479)	(3,965)
NET PROPERTY AND EQUIPMENT	1,739	233
OTHER ASSETS		
Deposits	925	925
Domain, net of amortization $2,097 and $1,742, respectively	3,218	3,573
Patents	32,736	16,676
TOTAL OTHER ASSETS	36,879	21,174
TOTAL ASSETS	$100,246	$49,199
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$92,801	$121,240
Accrued expenses	218,478	130,205
Derivative liability	8,667,274	536,640
Convertible promissory notes, net of debt discount of $176,395 and $192,254, respectively	345,946	178,087
TOTAL CURRENT LIABILITIES	9,324,499	966,172
SHAREHOLDERS' DEFICIT		
Preferred Stock, $0.001 par value; 5,000,000 authorized preferred shares	-	-
Common Stock, $0.001 par value; 1,500,000,000 authorized common shares 429,348,439 and 194,263,571 shares issued and outstanding, respectively	429,348	194,263

Additional Paid in Capital	5,532,679	2,532,032
Deficit Accumulated during the Development Stage	(15,186,280)	(3,643,268)
TOTAL SHAREHOLDERS' DEFICIT	(9,224,253)	(916,973)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$100,246	$49,199

The accompanying notes are an integral part of these financial statements

HYPERSOLAR, INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	For the Years Ended	
	June 30, 2014	June 30, 2013
REVENUE	$-	$-
OPERATING EXPENSES		
General and administrative expenses	460,871	505,367
Research and development cost	96,929	97,809
Depreciation and amortization	869	945
TOTAL OPERATING EXPENSES	558,669	604,121
LOSS FROM OPERATIONS BEFORE OTHER EXPENSES	(558,669)	(604,121)
OTHER INCOME/(EXPENSES)		
Gain on forgiveness of debt	-	10,000
Gain/(Loss) on settlement of debt	58,065	97,104
Gain/(Loss) on change in derivative liability	(10,455,459)	(350,684)
Interest expense	(586,949)	(280,021)
TOTAL OTHER INCOME/(EXPENSES)	(10,984,343)	(523,601)
NET INCOME/ (LOSS)	$(11,543,012)	$(1,127,722)
BASIC AND DILUTED LOSS PER SHARE	$(0.04)	$(0.01)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING BASIC AND DILUTED	296,013,816	170,442,787

The accompanying notes are an integral part of these financial statements

HYPERSOLAR, INC.

STATEMENTS OF SHAREHOLDERS' DEFICIT

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	Preferred stock		Common stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance at June 30, 2012	-	$ -	163,328,376	$163,328	$2,269,056	$(2,515,546)	$(83,162)
Issuance of common stock for cash at prices ranging from $0.015 to $0.0175 per share	-	-	2,951,239	2,951	42,029	-	44,980
Issuance of common stock for services at fair value price per share ranging from $0.03 and $0.036	-	-	305,555	306	9,694	-	10,000
Issuance of common stock for cashless exercise of warrants at fair value price per share at $0.015	-	-	2,000,000	2,000	(2,000)	-	-
Issuance of common stock for conversion of debt price per share at $0.015	-	-	25,678,401	25,678	203,862	-	229,540
Beneficial conversion feature	-	-	-	-	9,391	-	9,391
Net loss for the year ended June 30, 2013	-	-	-	-	-	(1,127,722)	(1,127,722)
Balance at June 30, 2013	-	-	194,263,571	194,263	2,532,032	(3,643,268)	(916,973)
Issuance of common stock for cashless exercise of warrants at fair value	-	-	54,846,527	54,847	(54,847)	-	-
Issuance of common stock for conversion of debt price per share at fair value ranging from $0.005 to $0.01	-	-	180,238,341	180,238	3,055,494	-	3,235,732
Net loss for the year ended June 30, 2014	-	-	-	-	-	(11,543,012)	(11,543,012)
Balance at June 30, 2014	-	$ -	429,348,439	$429,348	$5,532,679	$(15,186,280)	$(9,224,253)

The accompanying notes are an integral part of these financial statements

F-5

HYPERSOLAR, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	For the Years Ended	
	June 30, 2014	June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(11,543,012)	$(1,127,722)
Adjustment to reconcile net loss to net cash used in operating activities		
Depreciation & amortization expense	869	945
Common stock issued for services and accounts payable	-	10,000
Forgiveness of debt	-	(10,000)
Loss on change in derivative liability	10,455,459	350,684
Amortization of debt discount and beneficial conversion feature recorded as interest expense	541,362	260,657
Gain on settlement and exchange of debt	(58,065)	(97,104)
Change in Assets and Liabilities:		
(Increase) Decrease in:		
Prepaid expenses and other current assets	11,855	(59)
Deposits	-	545
Increase (Decrease) in:		
Accounts payable	(28,440)	114,148
Accrued expenses	116,243	105,809
NET CASH USED IN OPERATING ACTIVITIES	(503,729)	(392,097)
NET CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(2,020)	-
Purchase of intangible assets	(16,060)	-
NET CASH USED IN INVESTING ACTIVITIES	(18,080)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable, other	-	93,500
Proceeds from convertible notes payable	567,500	287,500
Payment of notes payable, other	-	(32,500)
Proceeds from issuance of common stock	-	44,980
NET CASH PROVIDED BY FINANCING ACTIVITIES	567,500	393,480
NET INCREASE IN CASH	45,691	1,383
CASH, BEGINNING OF YEAR	15,937	14,554

CASH, END OF YEAR	$61,628	$15,937
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$1,077	$-
Taxes paid	$-	$-
SUPPLEMENTAL DISCLOSURES OF NON CASH TRANSACTIONS		
Issuance of common stock upon conversion of debt at fair value	$3,237,087	$229,540
Issuance of common stock upon cashless covnersion of warrants	$54,847	$2,000

The accompanying notes are an integral part of these financial statements

HYPERSOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

1. ORGANIZATION AND LINE OF BUSINESS

Organization

HyperSolar, Inc. (the "Company") was incorporated in the state of Nevada on February 18, 2009. The Company, based in Santa Barbara, California, began operations on February 19, 2009 to develop and market a solar concentrator technology.

Line of Business

The company is currently developing a novel solar-powered nanoparticle system that mimics photosynthesis to separate hydrogen from water. We intend for technology of this system to be licensed for the production of renewable hydrogen to produce renewable electricity and hydrogen for fuel cells.

Going Concern

The accompanying financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company does not generate revenue, and has negative cash flows from operations, which raise substantial doubt about the Company’s ability to continue as a going concern. The ability of the Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, additional cash infusion. The Company obtained funds from its existing shareholders and new investors during the year ended June 30, 2013. Management believes that it will be able to obtain additional capital from its existing shareholders and prospective new investors to meet the Company’s obligations as they become due, and allow the development of its core business. However, there is no assurance that the Company will be able to continue raising additional capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of HyperSolar, Inc. is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles

generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Revenue Recognition

The Company recognizes revenue when services are performed, and at the time of shipment of products, provided that evidence of an arrangement exists, title and risk of loss have passed to the customer, fees are fixed or determinable, and collection of the related receivable is reasonably assured. To date, the Company has had no revenues.

Cash and Cash Equivalent

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements. Significant estimates made in preparing these financial statements include the estimate of useful lives of intangible assets, and the deferred tax valuation allowance. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Disclosures about fair value of financial instruments, requires disclosure of the fair value information, whether or not recognized in the balance sheet, where it is practicable to estimate that value. As of June 30, 2014, the amounts reported for cash, accrued interest and other expenses, notes payables, and derivative liability approximate the fair value because of their short maturities.

We adopted ASC Topic 820 (originally issued as SFAS 157, “Fair Value Measurements”) as of January 1, 2008 for financial instruments measured as fair value on a recurring basis. ASC Topic 820 defines fair value, established a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and expands disclosures about fair value measurements.

HYPERSOLAR, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is defined as 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. ASC Topic 820 established a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

We measure certain financial instruments at fair value on a recurring basis. Assets and liabilities measured at fair value on a recurring basis are as follows at June 30, 2014:

	Total	(Level 1)	(Level 2)	(Level 3)
Assets	$-	$ -	$ -	$-
Total assets measured at fair value	$-	$ -	$ -	$-
Liabilities				
Derivative liability	8,667,274	-	-	8,667,274
Convertible notes, net of discount	345,946	-	-	345,946
Total liabilities measured at fair value	$9,013,220	$ -	$ -	$9,013,220

The following is a reconciliation of the derivative liability for which Level 3 inputs were used in determining the approximate fair value:

Beginning balance as of July 1, 2014	$536,640
Fair value of derivative liabilities issued	2,335,339
Conversion of notes payable	(2,850,329)
Loss on change in derivative liability	8,645,624
Ending balance as of June 30, 2014	$8,667,274

Loss per Share Calculations

Loss per Share dictates the calculation of basic earnings per share and diluted earnings per share. Basic earnings per share are computed by dividing income available to common shareholders by the weighted-average number of common shares available. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. No shares for employee options or warrants were used in the calculation of the loss per share as they were all anti-dilutive. The Company's diluted loss per share is the same as the basic loss per share for the period ended June 30, 2014, as the inclusion of any potential shares wo