

Hypersolar, Inc.
Form 10-Q
February 14, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 333-164708

HYPERSOLAR, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

26-4298300
(I.R.S. Employer
Identification Number)

629 State St., Suite 242
Santa Barbara, California 93101

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (805) 966-6566

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated Filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

There were 147,731,232 shares of the registrant's common stock, par value \$0.001, issued and outstanding as of February 14, 2012.

HYPERSOLAR, INC.

TABLE OF CONTENTS

PART I. Financial Information

| | Description | Page |
|---------|--|------|
| Item 1. | Financial Statements | 3 |
| | Balance Sheets as of December 31, 2011 (unaudited) and June 30, 2011 | 3 |
| | Statements of Operations for the Three Months and Six Months ended December 31, 2011 and 2010 (unaudited) | 4 |
| | Statements of Cash Flows for the Six Months ended December 31, 2011 and 2010 (unaudited) | 5 |
| | Statements of Shareholders' Equity (Deficit) for the Six Months ended December 31, 2011 and 2010 (unaudited) | 6 |
| | Notes to Financial Statements | 7 |
| Item 2. | Management's Discussion and Analysis and Results of Operations | 10 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 13 |
| Item 4. | Controls and Procedures | 13 |

PART II. Other Information

| | Description | Page |
|----------|---|------|
| Item 1. | Legal Proceedings | 14 |
| Item 1A. | Risk Factors | 14 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 14 |
| Item 3. | Defaults Upon Senior Securities | 14 |
| Item 4. | Reserved | 14 |
| Item 5. | Other Information | 14 |
| Item 6. | Exhibits | 14 |
| | Signatures | 15 |

PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

HYPERSOLAR, INC.
(A Development Stage Company)
BALANCE SHEETS

| | December 31, 2011 (Unaudited) | June 30, 2011 |
|---|-------------------------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 19,277 | \$ 28,020 |
| Prepaid expenses | 12,269 | 34,249 |
| TOTAL CURRENT ASSETS | 31,546 | 62,269 |
| PROPERTY & EQUIPMENT | | |
| Computers and peripherals | 4,198 | 4,198 |
| Less: accumulated depreciation | (2,675) | (1,975) |
| NET PROPERTY AND EQUIPMENT | 1,523 | 2,223 |
| OTHER ASSETS | | |
| Deposits | 1,470 | - |
| Domain, net of amortization \$1,211 and \$1,033, respectively | 4,104 | 4,281 |
| Patents | 14,727 | 14,727 |
| TOTAL OTHER ASSETS | 20,301 | 19,008 |
| TOTAL ASSETS | \$ 53,370 | \$ 83,500 |
| LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT) | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 40,356 | \$ 55,047 |
| Accrued expenses | 28,535 | 14,167 |
| TOTAL CURRENT LIABILITIES | 68,891 | 69,214 |

SHAREHOLDERS' EQUITY/(DEFICIT)

| | | |
|---|------------------|-----------------|
| Preferred Stock, \$0.001 par value; 5,000,000 authorized preferred shares | - | - |
| Common Stock, \$0.001 par value; 500,000,000 authorized common shares 142,097,898 and 132,903,091 shares issued and outstanding, respectively | 142,097 | 132,903 |
| Additional Paid in Capital | 1,905,451 | 1,563,110 |
| Deficit Accumulated during the Development Stage | (2,063,069) | (1,681,727) |
| TOTAL SHAREHOLDER'S EQUITY/(DEFICIT) | (15,521) | 14,286 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY /(DEFICIT) | \$53,370 | \$83,500 |

The accompanying notes are an integral part of these financial statements

HYPER SOLAR, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS
(Unaudited)

| | For the Three Months Ended | | For the Six Months Ended | | From |
|---|----------------------------|---------------------|--------------------------|---------------------|----------------------|
| | December 31, | December 31, | December 31, | December 31, | Inception |
| | 2011 | 2010 | 2011 | 2010 | on |
| | | | | | February |
| | | | | | 18, 2009 |
| | | | | | through |
| | | | | | December |
| | | | | | 31, 2011 |
| REVENUE | \$- | \$- | \$- | \$- | \$- |
| OPERATING EXPENSES | | | | | |
| General and administrative expenses | 163,578 | 179,377 | 312,777 | 317,085 | 1,644,341 |
| Research and development | 34,020 | 57,269 | 67,596 | 95,799 | 411,158 |
| Depreciation and amortization | 438 | 356 | 877 | 712 | 3,886 |
| TOTAL OPERATING EXPENSES | 198,036 | 237,002 | 381,250 | 413,596 | 2,059,385 |
| LOSS FROM OPERATIONS BEFORE OTHER EXPENSES | (198,036) | (237,002) | (381,250) | (413,596) | (2,059,385) |
| OTHER EXPENSES | | | | | |
| Penalties | (92) | (40) | (92) | (40) | (157) |
| Interest expense | - | (131) | - | (131) | (3,527) |
| TOTAL OTHER EXPENSES | (92) | (171) | (92) | (171) | (3,684) |
| NET LOSS | \$(198,128) | \$(237,173) | \$(381,342) | \$(413,767) | \$(2,063,069) |
| BASIC AND DILUTED LOSS PER SHARE | | | | | |
| | \$(0.00) | \$(0.00) | \$(0.00) | \$(0.00) | |
| WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING | | | | | |
| BASIC AND DILUTED | 140,191,065 | 126,629,870 | 137,545,668 | 126,499,435 | |

The accompanying notes are an integral part of these financial statements

HYPERMOLAR, INC.
(A Development Stage Company)
STATEMENT OF SHAREHOLDERS' EQUITY/(DEFICIT)

| | Preferred stock | | Common stock | | Additional | Deficit | |
|---|-----------------|--------|--------------|-----------|-------------|-----------------|-------------|
| | Shares | Amount | Shares | Amount | Paid-in | Accumulated | Total |
| | | | | | Capital | during the | |
| | | | | | | Development | |
| | | | | | | Stage | |
| Balance at June 30, 2011 | - | \$- | 132,903,091 | \$132,902 | \$1,563,111 | \$ (1,681,727) | \$14,286 |
| Issuance of common stock for cash at prices ranging from \$0.035 to \$0.055 per share (unaudited) | - | - | 9,194,807 | 9,195 | 330,805 | - | 340,000 |
| Stock option compensation cost (unaudited) | - | - | - | - | 11,535 | - | 11,535 |
| Net loss for the period ended December 31, 2011 (unaudited) | - | - | - | - | - | (381,342) | (381,342) |
| Balance at December 31, 2011 (unaudited) | - | \$- | 142,097,898 | \$142,097 | \$1,905,451 | \$ (2,063,069) | \$(15,521) |

The accompanying notes are an integral part of these financial statements

HYPERMOLAR, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS
(Unaudited)

| | For the Six Months Ended | | From Inception on February 18, 2009 through December 31, 2011 |
|--|--------------------------|----------------------|--|
| | December 31, 2011 | December 31, 2010 | December 31, 2011 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net loss | \$(381,342) | \$(413,767) | \$(2,063,069) |
| Adjustment to reconcile net loss to net cash used in operating activities | | | |
| Depreciation & amortization expense | 877 | 712 | 3,886 |
| Common stock issued for services | - | - | 152,080 |
| Common stock compensation | 11,535 | - | 40,319 |
| Change in Assets and Liabilities: | | | |
| (Increase) Decrease in: | | | |
| Prepaid expenses | 21,980 | 3,188 | (12,269) |
| Deposits | (1,470) | - | (1,470) |
| Increase (Decrease) in: | | | |
| Accounts payable | (14,691) | 752 | 40,356 |
| Accrued expenses | 14,368 | (24,811) | 28,535 |
| NET CASH USED IN OPERATING ACTIVITIES | (348,743) | (433,926) | (1,811,632) |
| NET CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of fixed assets | - | - | (4,198) |
| Purchase of intangible assets | - | - | (20,042) |
| NET CASH USED IN INVESTING ACTIVITIES | - | - | (24,240) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from note payable, related party | - | - | 154,553 |
| Payment of notes payable, related party | - | - | (154,553) |
| Proceeds from issuance of common stock | 340,000 | 100,000 | 1,855,149 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 340,000 | 100,000 | 1,855,149 |
| NET INCREASE/(DECREASE) IN CASH | (8,743) | (333,926) | 19,277 |
| CASH, BEGINNING OF PERIOD | 28,020 | 412,066 | - |
| CASH, END OF PERIOD | \$19,277 | \$78,140 | \$19,277 |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

| | | | |
|---------------|-----|--------|---------|
| Interest paid | \$- | \$ 131 | \$3,527 |
| Taxes paid | \$- | \$- | \$- |

The accompanying notes are an integral part of these financial statements

HYPERSOLAR, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all normal recurring adjustments considered necessary for a fair presentation have been included. Operating results for the six months ended December 31, 2011 are not necessarily indicative of the results that may be expected for the year ending June 30, 2012. For further information refer to the financial statements and footnotes thereto included in the Company's Form 10-K for the year ended June 30, 2011.

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 has obtained funds from its shareholders since its inception through the period ended December 31, 2011. Management believes this funding will continue, and has also obtained funding from new investors. Management believes the existing shareholders and the prospective new investors will provide the additional cash needed to meet the Company's obligations as they become due, and will allow the development of its core business.

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.

Development Stage Activities and Operations

The Company has been in its initial stages of formation and for the period ended December 31, 2011, had no revenues. A development stage activity is one in which all efforts are devoted substantially to establishing a new business and even if planned principal operations have commenced, revenues are insignificant.

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 and is in the development stage.

Cash and Cash Equivalent

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

7

HYPERSOLAR, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 December 31, 2011, the amounts reported for cash, accrued interest and other expenses approximate the fair value because of their short maturities.

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. A total of 20,901,046 shares for warrants were not 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 December 31, 2011, as the inclusion of any potential shares would have had an anti-dilutive effect due to the Company generating a loss.

Reclassification

Certain expenses for the period ended December 31, 2010 were reclassified to conform to the expenses for the period ended December 31, 2011.

Recently issued pronouncements

Management reviewed accounting pronouncements issued during the six months ended December 31, 2011, and no pronouncements were adopted during the period.

3. CAPITAL STOCK

During the six months ended December 31, 2011, the Company issued 909,091 shares of common stock at a price of \$0.055 per share for cash of \$50,000, with warrants attached to purchase 1,818,182 shares of common stock at a price of \$0.055 and issued 8,285,716 shares of common stock at a price of \$0.035 per share for cash of \$290,000 with warrants attached to purchase 19,142,864 shares of common stock at a price of \$0.035.

4. STOCK OPTIONS AND WARRANTS

On October 8, 2010, the Board of Directors of the Company granted non-qualified stock options for 2,000,000 shares of common stock to its employees. Each option shall be exercisable to the nearest whole share, in installments or

otherwise, as the respective agreements may provide. Notwithstanding any other provisions of the Option agreement, each Option expires on the date specified in the Option agreement, which date shall not be later than the fifth (5th) anniversary from the grant date of the options. The stock options vested 1/12 after one year and 1/36th every 30 days thereafter until the remaining stock options have vested. The options were forfeited upon termination of the employee as of October 15, 2011.

HYPERMOLAR, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

4. STOCK OPTIONS (Continued)

A summary of the Company's stock option activity and related information follows:

| | 12/31/2011 | |
|---|-------------------------|--|
| | Number of Options | Weighted average exercise price |
| Outstanding, beginning of period | - | \$ - |
| Granted | 2,000,000 | 0.11 |
| Exercised | - | - |
| Forfeited/Expired | (2,000,000) | 0.11 |
| Outstanding, end of period | - | \$ - |
| Exercisable at the end of period | - | \$ - |
| Weighted average fair value of options granted during the period | | \$ - |

Stock-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. Stock-based compensation expense recognized in the financial statements of operations during the period ended December 31, 2011, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of December 31, 2011 based on the grant date fair value estimated, and compensation expense for the stock-based payment awards granted subsequent to December 31, 2011, based on the grant date fair value estimated. We account for forfeitures as they occur. The stock-based compensation expense recognized in the statement of income during the period ended December 31, 2011 and 2010 is \$11,535 and \$0, respectively.

Warrants

Through a private placement, the Company issued warrants to purchase 19,142,091 shares of common stock at a price of \$0.035 per share, and issued warrants to purchase 1,818,182 shares of common stock at a price of \$0.055 per share.

5. RENTAL LEASE

On August 10, 2011, the Company entered into a new facility lease with monthly rentals for \$1,470 per month. The lease is for a one year term and commenced on September 1, 2011, which terminates on August 31, 2012.

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events according to the requirements of ASC TOPIC 855 and has reported the following subsequent event;

On January 13, 2012, the Company issued 2,000,000 shares of common stock at a price of \$0.015 per share with warrants attached to purchase 4,000,000 shares of common stock at \$0.015 per share exercised over a period of five

years.

On February 2, 2012, the Company issued 3,333,334 shares of common stock at a price of \$0.015 per share with warrants attached to purchase 6,666,668 shares of common stock at \$0.015 per share exercised over a period of five years.

On February 3, 2012, the Company issued 300,000 shares of common stock at a price of \$0.04 per share for consulting services with a fair value of \$12,000.

ITEM 2. Management's Discussion and Analysis and Results of Operations

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," "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 nanoparticle system that mimics photosynthesis to separate hydrogen from water. On November 15, 2011, we filed a patent application for the production of renewable hydrogen and natural gas using sunlight, water, and carbon dioxide. Our technology will allow free hydrogen to be reacted with carbon dioxide to produce methane, the primary component in natural gas.

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. Although there are currently no fuel cell vehicles available for commercial sale, carmakers are hopeful that hydrogen fuel cells and infrastructure technologies will be developed in the future. (<http://world.honda.com/FuelCell/>)

Our management had determined that because of high manufacturing costs and a steady decline in the cost of silicon solar cells and silicon modules, to put our solar concentrator technology development on hold while we develop our renewable hydrogen and natural gas 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 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 Issued Accounting Pronouncements

Management reviewed accounting pronouncements issued during the three months ended December 31, 2011, and no pronouncements were adopted during the period.

Liquidity and Capital Resources

As of December 31, 2011, we had a working deficit of \$(37,345) as compared to \$(6,945) as of June 30, 2011. This increase of \$(30,400) was due primarily to a decrease from \$375,000 to \$340,000 in equity funding for the current period.

Cash flow used in operating activities was \$(348,743) for the six months ended December 31, 2011 and \$(433,926) for the prior period December 31, 2010. The decrease in cash used by operating activities was primarily due to an increase in prepaid expenses, deposits, and accrued expenses, and a decrease in accounts payable. The Company is in its development stage and has had no revenues.

Cash used in investing activities for the six months ended December 31, 2011 and December 31, 2010, was \$0 respectively. There were no fixed assets purchased during the respective periods.

Cash provided by financing activities during the six months ended December 31, 2011 was \$340,000 and \$100,000 for the prior period ending December 31, 2010. The increase of \$240,000 in financing activities was due to equity financing during the current period.

Our financial statements as of December 31, 2011 have been prepared under the assumption that we will continue as a going concern from inception (February 18, 2009) through December 31, 2011. Our independent registered public accounting firm has issued their report dated September 27, 2011, 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 February 10, 2012 will fund our operations for the next three months as we develop a working prototype of 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 utilize our cash balances to further research and develop our technology and test it's commercial viability for various feed stock streams. The more organic the feed stock is, the less voltage required to produce renewable hydrogen. For example, we are testing potential feed stock water samples from the Salton Sea which is a repository for agricultural wastewaters originating in both the Imperial and Coachella Valleys of California. We believe the high concentration of organic materials from the agricultural runoff is nearly ideal for our process, and the high salinity of the Salton Sea water will further enhance the efficiency of our technology.

Operating Expenses

Operating expenses for the six months ended December 31, 2011 were \$381,250 and \$413,596 for the prior period December 31, 2010. The net change in operating expenses consisted primarily of the net change in salaries, and research and development.

Net Loss

For the six months ended December 31, 2011, our net loss was \$(381,342) and \$(413,767) for the prior period December 31, 2010. The change in net loss was related primarily to operating expenses for research and development, salaries and professional fees. We recently began operating our business, and no revenues were generated to cover our operating costs, since we are in the development stage of our Company.

ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

N/A

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange 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 chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no change to our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

ITEM 1A. Risk factors

There are no material changes from the risk factors previously disclosed in our annual report on Form 10-K filed with the SEC on September 28, 2011.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the six months ended December 31, 2011, the Company received proceeds of \$340,000 for the purchase of 9,194,807 shares of common stock at prices between \$0.035 and \$0.055.

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

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. (Removed and Reserved)

ITEM 5. Other Information

None.

ITEM 6. Exhibits

| Exhibit No. | Description |
|-------------|-------------|
|-------------|-------------|

| | |
|-------|--|
| 31.1* | Certification of the Chief Executive Officer and Chief Financial Officer of Hypersolar, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
|-------|--|

| | |
|-------|---|
| 32.1* | Certification of the Chief Executive Officer and Chief Financial Officer of Hypersolar, Inc., furnished pursuant to Section 1350 of Chapter 63 of 18 U.S.C. as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
|-------|---|

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

HYPERSOLAR, INC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HYPERSOLAR, INC.

February 14, 2012

By: /s/ Timothy Young
Timothy Young
Chief Executive Officer and Acting Chief
Financial Officer
(Principal Executive Officer and Principal
Financial and Accounting Officer)