

**FINANCIAL INFORMATION STATEMENT
HYPOWER FUEL, INC.
(a development stage company)**

CERTIFICATION

I, Douglas Bender, President and CEO of HYPOWER FUEL, INC., hereby certify that the unaudited consolidated financial statements filed herewith and the attached notes, fairly present, in all material respects, the financial position as at March 31, 2011 and the results of operations and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States, consistently applied. I have relied upon individuals with professional accounting designation for the preparation of these financial statements.

Dated this 28th day of June, 2011.

“signed”

By: Douglas Bender
Chief Executive Officer
HYPOWER FUEL, INC.

HYPOWER FUEL INC.
(a development stage company)
Consolidated Balance Sheet
As at March 31, 2011
(with comparative information as at March 31, 2010)
(prepared by management)

	March 31, 2011	March 31, 2010
	\$	\$
<u>Assets</u>		
Current assets		
Bank and cash	6,054	14,000
Accounts receivable	438,462	521,000
Short-term investments	31,905	0
Advances receivable	205,280	205,000
Inventory	905,417	1,002,000
Total current assets	<u>1,587,118</u>	<u>1,742,000</u>
Capital assets		
Equipment, furniture and fixtures (note 4)	<u>712,084</u>	<u>695,000</u>
Intangible assets		
Patents and technology rights (note 4)	<u>206,242</u>	<u>146,000</u>
Total assets	<u><u>2,505,444</u></u>	<u><u>2,583,000</u></u>
	\$	\$
<u>Liabilities and Shareholder's Equity</u>		
<u>Liabilities</u>		
Current liabilities		
Accounts payable and accruals	189,072	147,000
Current portion of contracts payable	0	3,000
	<u>189,072</u>	<u>150,000</u>
Long-term liabilities		
Contracts payable (note 5)	0	3,000
Convertible notes and advances payable (note 6)	440,312	602,000
Other notes and advances payable (note 6)	0	0
Total liabilities	<u>629,384</u>	<u>755,000</u>
Shareholder's Equity		
Capital stock	128,000	131,000
Additional paid in capital	4,105,000	4,180,000
Retained earnings (deficit)	(2,356,940)	(2,483,000)
Total shareholder's equity	<u>1,876,060</u>	<u>1,828,000</u>
Total liabilities and shareholder's equity	<u><u>2,505,444</u></u>	<u><u>2,583,000</u></u>

HYPOWER FUEL INC.
(a development stage company)
Consolidated Statement of Operations and Deficit
For the year ended March 31, 2011
(with comparative information for the year ended March 31, 2010)
(prepared by management)

	Year ended March 31, 2011	Year ended March 31, 2010
	\$	\$
Revenue	738,762	690,000
Expenses		
Selling, general and administrative costs	91,422	95,000
Research and development	502,515	519,000
Amortization	52,725	84,000
Interest expense	18,465	16,000
Total expenses	665,127	714,000
Net income before income taxes	73,635	(24,000)
Income taxes (net of recovery)	0	0
Net income	73,635	(24,000)
Deficit, beginning of year	2,483,000	2,459,000
Deficit, end of period	2,356,940	2,483,000

Net Income (Loss) per share for the period \$0.0002; (March 31, 2010 - \$(0.0001))

HYPOWER FUEL INC.
(a development stage company)
Consolidated Statement of Changes in Capital Stock
For the year ended March 31, 2011
(with comparative information for the year ended March 31, 2010)
(prepared by management)

	<u>\$</u>	<u>Shares</u>
Balances - March 31, 2007	151,000	363,180,675
March 31, 2008 - Issuances net of buybacks	<u>(20,000)</u>	<u>(20,000,000)</u>
Balances - March 31, 2008, 2009 and 2010	<u>131,000</u>	<u>343,180,675</u>
Balance - December 31, 2010	131,000	343,180,675
March 1, 2011 – buyback of shares (net)	<u>(3,000)</u>	<u>(3,000,000)</u>
Balance – March 31, 2011	<u>128,000</u>	<u>340,180,675</u>

HYPOWER FUEL INC.
(a development stage company)
Consolidated Statement of Cash Flows
For the year ended March 31, 2011
(with comparative information for the year ended March 31, 2010)
(prepared by management)

	Year ended March 31, 2011	Year ended March 31, 2010
	\$	\$
<u>CASH FLOWS FROM (USED IN):</u>		
<u>Operating Activities</u>		
Net income (loss) for the period	73,635	(24,000)
Add: items which do not involve cash		
Amortization	52,725	84,000
Changes in working capital	189,008	555,000
	<u>315,368</u>	<u>615,000</u>
Net cash from Operating Activities		
<u>Financing and Investing Activities</u>		
Increase (decrease) in advances and notes payable	(167,688)	43,000
Proceeds (purchase) of capital and intangible assets	(77,626)	(673,000)
Additional paid in capital	(3,000)	0
Increase (decrease) in capital stock	(75,000)	0
	<u>(323,314)</u>	<u>(630,000)</u>
Net cash provided by Financing and Investing Activities		
Increase (decrease) in cash during the period	(7,946)	(15,000)
Cash at beginning of year	<u>14,000</u>	<u>29,000</u>
CASH AT END OF PERIOD	<u><u>6,054</u></u>	<u><u>14,000</u></u>

HYPOWER FUEL, INC.
(a development stage company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011
(with comparative information for the year ended March 31, 2010)

Note 1 – General Organization and Business

The Company was originally incorporated in the State of Utah in 1987 and changed its domicile and was continued in the State of Delaware in 1998. It is in the development stage and seeks to establish itself as a preeminent developer and supplier of alternative fuels. These consolidated financial statements include the accounts of the company and its wholly owned subsidiaries in Alberta and Nevada.

Note 2 – Summary of Significant Accounting Policies and Practices

(a) Basis of Accounting

These consolidated financial statements have been prepared using generally accepted accounting principles of the United States of America consistently applied.

(b) Management Certification

These consolidated financial statements herein are certified by the officers of the Company to present fairly, in all material respects, the financial position, results of operations and cash flows for the period presented, in conformity with accounting principles generally accepted in the United States of America, consistently applied.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

(d) Revenue Recognition

The Company intends to recognize revenue when the product or service has been delivered or performed and invoiced.

(e) Amortization

The Company will amortize capital and other assets over their expected remaining useful lives.

(f) Income Taxes

The provision for income taxes is the total of the taxes payable and the net change in the deferred income taxes. Provision is made for deferred income taxes where differences exist between the periods in which transactions affect current taxable income and the period in which they enter into the determination of net income in the consolidated financial statements.

Note 3 – Going Concern

These consolidated financial statements have been prepared on a going concern basis. The Company's ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations as and when they come due.

Note 4 – Capital and Other Assets

Capital Assets include all of the physical building, equipment and furnishing assets owned by the Company. Other Assets consists of certain patents, trademarks, copyrights and other proprietary information developed by the Company.

Note 5 – Development Agreement

During the year, the company entered into a \$5,000,000 development agreement with a consortium for the completion and commercialization of technologies. The agreement is a draw down facility available when the Company undertakes a large commercial project. Interest on the facility, if any, will be calculated at LIBOR plus 2%. The consortium alternatively has the right to provide funds as a Joint Venture partner in the commercial project. The Company anticipates activating the facility in the coming year.

Note 6 – Convertible Notes, Notes and Advances Payable

The convertible notes payable are secured by the Company's inventory and capital assets, bear interest at rates from 4% to 10% per annum and become due and payable at the discretion of the note holders on or before April 30, 2005. The notes are convertible into the common stock of the Company at various rates as agreed upon with the note holders. Advances payable are unsecured and bear interest at 10% per annum. Some of the interest was waived by the holders during the year.

Note 7 – Capital Stock

Authorized – 500,000,000 common shares with a par value of \$0.001 per share.

10,000,000 preferred shares with a par value of \$0.001 per share.

Issued - 340,180,675 (March 31, 2009 – 343,180,675) common shares.

During the year, the Company repurchased 3,000,000 issued and outstanding common shares from shareholders for \$75,000.

Note 8 – Provision for Income Taxes

No provision for income taxes has been made in these consolidated financial statements due to the fact that the Company has incurred a loss. At the date of these consolidated financial statements, the Company has net operating loss carryforwards, totaling approximately \$2,357,000, the benefit of which has not been recorded in these consolidated financial statements.