

ALKALINE WATER Co INC  
Form S-1  
October 16, 2014

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM S-1**  
**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

**The Alkaline Water Company Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**2080**

(Primary Standard Industrial Classification Code Number)

**99-0367049**

(I.R.S. Employer Identification Number)

**7730 E Greenway Road Ste. 203  
Scottsdale, AZ 85260**

**Telephone: (480) 656-2423**

(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)

**InCorp Services, Inc.  
2360 Corporate Circle Ste. 400  
Henderson, NV 89074-7722**

**Telephone: (702) 866-2500**

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

**Copy of Communications To:  
Clark Wilson LLP  
Suite 900 - 885 West Georgia Street  
Vancouver, British Columbia V6C 3H1, Canada  
Telephone: (604) 687-5700  
Attention: Mr. Virgil Z. Hlus**

**From time to time after the effective date of this registration statement.**

(Approximate date of commencement of proposed sale to the public)

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to

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Rule 415 under the Securities Act of 1933 check the following box: [ X ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

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 definitions 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 [ ]

Smaller reporting company [ X ]

(Do not check if a smaller reporting company)

**Calculation of Registration Fee**

| Title of Each Class of Securities to be Registered           | Amount to be Registered <sup>(1)</sup> | Proposed Maximum Offering Price Per Share | Proposed Maximum Aggregate Offering Price | Amount of Registration Fee |
|--|--|---|---|----------------------------|
| Common stock to be offered for resale by selling stockholder | 9,399,600 <sup>(2)</sup>               | \$0.101 <sup>(3),(4)</sup>                | \$949,359.60 <sup>(3),(4)</sup>           | \$110.32 <sup>(4)</sup>    |

(1) Pursuant to Rule 416 under the Securities Act of 1933, there is also being registered hereby such indeterminate number of additional shares of common stock of The Alkaline Water Company Inc. as may be issued or issuable because of stock splits, stock dividends, stock distributions, and similar transactions.

(2) Consists of up to 9,399,600 shares of common stock that have been issued or may be issued upon exercise of warrants.

(3) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(c) under the Securities Act of 1933.

(4) Based on the closing price per share (\$0.101) for The Alkaline Water Company Inc. s common stock on October 14, 2014, as reported by the OTC Markets Group s OTCQB.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

The information in this prospectus is not complete and may be changed. The selling stockholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**Subject to Completion, Dated October 16, 2014**

**Prospectus**

**9,399,600 Shares**

**The Alkaline Water Company Inc.**

**Common Stock**

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The selling stockholder identified in this prospectus may offer and sell up to 9,399,600 shares of our common stock that have been issued or may be issued upon exercise of warrants. We issued the warrants in private placements that were exempt from the registration requirements of the Securities Act of 1933.

The selling stockholder may sell all or a portion of the shares being offered pursuant to this prospectus at fixed prices, at prevailing market prices at the time of sale, at varying prices or at negotiated prices.

Our common stock is quoted on the OTC Markets Group's OTCQB under the symbol WTER. On October 15, 2014, the closing price of our common stock on the OTCQB was \$0.102 per share.

We will not receive any proceeds from the sale of the shares of our common stock by the selling stockholder. We may, however, receive proceeds upon exercise of the warrants by the selling stockholder. We will pay for expenses of this offering, except that the selling stockholder will pay any broker discounts or commissions or equivalent expenses and expenses of his legal counsel applicable to the sale of his shares.

**Investing in our common stock involves risks. See Risk Factors beginning on page 5.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2014.

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## **About This Prospectus**

You should rely only on the information that we have provided in this prospectus and any applicable prospectus supplement. We have not authorized anyone to provide you with different information. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus and any applicable prospectus supplement. You must not rely on any unauthorized information or representation. This prospectus is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. You should assume that the information in this prospectus and any applicable prospectus supplement is accurate only as of the date on the front of the document, regardless of the time of delivery of this prospectus, any applicable prospectus supplement, or any sale of a security.

As used in this prospectus, the terms we, us, our and Alkaline refer to The Alkaline Water Company Inc., a Nevada corporation, and its wholly-owned subsidiary, Alkaline Water Corp., and Alkaline Water Corp.'s wholly-owned subsidiary, Alkaline 88, LLC (formerly Alkaline 84, LLC), unless otherwise specified.

## **Prospectus Summary**

### **The Offering**

The selling stockholder identified in this prospectus may offer and sell up to 9,399,600 shares of our common stock that have been issued or may be issued upon exercise of warrants. We issued the warrants in private placements that were exempt from the registration requirements of the Securities Act of 1933.

We will not receive any proceeds from the sale of the shares of our common stock by the selling stockholder. We may, however, receive proceeds upon exercise of the warrants by the selling stockholder. We will pay for expenses of this offering, except that the selling stockholder will pay any broker discounts or commissions or equivalent expenses and expenses of his legal counsel applicable to the sale of his shares.

Our common stock is quoted on the OTC Markets Group's OTCQB under the symbol WTER.

### **Our Business**

Our company offers retail consumers bottled alkaline water in three-liter and one-gallon and 700 ml volumes through our brand Alkaline88. Our product is produced through an electrolysis process that uses specialized electronic cells coated with a variety of rare earth minerals to produce our 8.8 pH drinking water without the use of any chemicals. Our product also incorporates 84 trace Himalayan salts.

The main reason consumers drink our product is for the perceived benefit that a proper pH balance helps fight disease and boosts the immune system and the perception that alkaline water helps to maintain a proper body pH and keeps cells young and hydrated.

Alkaline 88, LLC, our operating subsidiary, operates primarily as a marketing and distribution company. Alkaline 88, LLC has entered into exclusive arrangements with Water Engineering Solutions LLC, an entity that is controlled and owned by our President, Chief Executive Officer, Director and major stockholder, Steven P. Nickolas, and our Vice-President, Secretary, Treasurer and Director, Richard A. Wright, for the manufacture and production of our alkaline generating electrolysis system machines. Alkaline 88, LLC has entered into one-year agreement(s) with, White Water, LLC, Brookshire's Grocery Company and UNIX Packaging, Inc to act as our initial co-packers. Our branding is being coordinated through 602 Design, LLC and our component materials are readily available through multiple vendors. Our principal suppliers are Plastipack Packaging and Polyplastics Co.

Sample production and testing of our product began in late 2012. We have currently established one contract manufacturing facilities in Phoenix, Arizona, one in Tyler, Texas and one in Montebello, California. We plan to establish other key manufacturing facilities throughout the United States to support the national distribution of our product.

Our product is currently at the introduction and expansion phase of its lifecycle. In March 2012 Alkaline 88, LLC did market research on the demand for a bulk alkaline product at the Natural Product Expo West in Anaheim, California. In January 2013, we began the formal launching of our product in Southern California and Arizona. Since then, we have begun to deliver product through approximately 8,500 retail outlets throughout the United States. We are presently in 49 States and the District of Columbia. Although over 40% of our current sales are concentrated in the Southwest and Texas. We have distribution agreements with large national distributors (UNFI, KeHe, Tree of Life, Natures Best and C&S Distributors representing over 100,000 retail establishments). Our current stores include convenience stores, natural food products stores, large ethnic markets and national retailers. Currently, we sell all of our products to our retailers through brokers and distributors. Our larger retail clients bring the water in through their own warehouse distribution network. Our current retail clients are made up of a variety of the following; convenience stores, including 7-11 s; large national retailers, including Albertson s, Fry s and Smith s (both Kroger companies), and regional grocery chains such as Schnucks, Smart & Final and Jewel-Osco, Sprouts, Bashas , Bristol Farms, Vallarta, Superior Foods, Brookshire s and other companies throughout the United States.

In April 2014 we entered into an exclusive territorial distribution agreement with Kalil Bottling Co. on a new single serve 700ml Bottle with a sport cap. This exclusivity is in Arizona and other areas in the Southwestern United States. Kalil Bottling Co. is a direct to store distributor (DSD) and we plan to expand the use of DSD s for our single serving packaging through the remainder of 2014.

In order to continue our expansion, we anticipate that we will be required, in most cases, to continue to give promotional deals throughout 2014 and in subsequent years on a quarterly basis ranging from a 5%-15% discount similar to all other beverage company promotional programs. It has been our experience that most of the retailers have requested some type of promotional introductory program which has included either a \$0.25 -\$0.50 per unit discount on an initial order; a buy one get one free program; or a free-fill program which includes 1-2 cases of free product per store location. Slotting has only been presented and negotiated in the larger national grocery chains and, in most cases, is offset by product sales. Our slotting fees with our current national retailers do not exceed \$200,000 in the aggregate and are offset through product sales. In addition we participate in promotional activities of our distributors, these fees are not in excess of \$200,000 and are offset through product sales.

We have not yet established an ongoing source of revenues sufficient to cover our operating costs and to allow us to continue as a going concern. As of June 30, 2014, we had an accumulated deficit of \$6,950,110. Our ability to continue as a going concern is dependent on our company obtaining adequate capital to fund operating losses until we become profitable. If we are unable to obtain adequate capital, we could be forced to significantly curtail or cease operations. In its report on our financial statements for the year ended March 31, 2014, our independent registered public accounting firm included an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The principal offices of our company are located at 7730 E Greenway Road, Ste. 203, Scottsdale, AZ 85260. Our telephone number is (480) 656-2423.

### **Summary of Financial Data**

The following information represents selected audited financial information for our company for the year ended March 31, 2014 and the period from inception on June 19, 2012 through March 31, 2013 and selected unaudited financial information for our company for the three month periods ended June 30, 2014 and 2013. The summarized financial information presented below is derived from and should be read in conjunction with our audited and unaudited financial statements, as applicable, including the notes to those financial statements which are included elsewhere in this prospectus along with the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 28 of this prospectus.





| <b>Statements of Operations Data</b> | <b>Three Month Period Ended June 30, 2014</b> | <b>Three Month Period Ended June 30, 2013</b> |
|--------------------------------------|---|---|
| Revenue                              | \$572,049                                     | \$32,522                                      |
| Cost of Goods Sold                   | \$406,125                                     | \$18,057                                      |
| Total Operating Expenses             | \$2,382,067                                   | \$193,397                                     |
| Net Loss                             | \$(2,437,209)                                 | \$(182,487)                                   |

| <b>Statements of Operations Data</b> | <b>Year Ended March 31, 2014</b> | <b>Period from Inception (June 19, 2012) to March 31, 2013</b> |
|--------------------------------------|----------------------------------|--|
| Revenue                              | \$552,699                        | \$15,110   |
| Cost of Goods Sold                   | \$411,851                        | \$8,026  |
| Total Operating Expenses             | \$4,421,353                      | \$284,580  |
| Net Loss                             | \$(4,229,513)                    | \$(283,388)  |

| <b>Balance Sheets Data</b>          | <b>As of June 30, 2014</b> | <b>As of March 31, 2014</b> | <b>As of March 31, 2013</b> |
|-------------------------------------|----------------------------|-----------------------------|-----------------------------|
| Cash                                | \$620,031                  | \$2,665                     | \$64,607                    |
| Working Capital                     | \$124,493                  | \$(555,001)                 | \$(82,566)                  |
| Total Assets                        | \$2,308,137                | \$568,308                   | \$140,373                   |
| Total Liabilities                   | \$1,323,248                | \$836,323                   | \$169,856                   |
| Total Stockholders Equity (Deficit) | \$984,889                  | \$(351,835)                 | \$(29,483)                  |
| Accumulated Deficit                 | \$(6,950,110)              | \$(4,512,901)               | \$(283,388)                 |

### **Risk Factors**

An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in this prospectus in evaluating our company and our business before purchasing our securities. Our business, operating results and financial condition could be seriously harmed as a result of the occurrence of any of the following risks. You could lose all or part of your investment due to any of these risks. You should invest in our common stock only if you can afford to lose your entire investment.

#### **Risks Related to Our Business**

*Because we have a limited operating history, our ability to fully and successfully develop our business is unknown.*

We were incorporated in June 6, 2011, and we have only recently begun producing and distributing alkaline bottled water, and we have a limited operating history from which investors can evaluate our business. Our ability to successfully develop our products, and to realize consistent, meaningful revenues and profit has not been established and cannot be assured. We have not generated any significant revenues and do not expect to do so in the near future. For us to achieve success, our products must receive broad market acceptance by consumers. Without this market acceptance, we will not be able to generate sufficient revenue to continue our business operation. If our products are

not widely accepted by the market, our business may fail.

Our ability to achieve and maintain profitability and positive cash flow is dependent upon our ability to generate revenues, manage development costs and expenses, and compete successfully with our direct and indirect competitors. We anticipate operating losses in upcoming future periods. This will occur because there are expenses associated with the development, production, marketing, and sales of our product. As a result, we may not generate significant revenues in the future. Failure to generate significant revenues in the near future may cause us to suspend or cease activities.

***Our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern.***

Our financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. We have not yet established an ongoing source of revenues sufficient to cover our operating costs and to allow us to continue as a going concern. As of June 30, 2014, we had an accumulated deficit of \$6,950,110. Our ability to continue as a going concern is dependent on our company obtaining adequate capital to fund operating losses until we become profitable. If we are unable to obtain adequate capital, we could be forced to significantly curtail or cease operations. In its report on the financial statements for the year ended March 31, 2014, our independent registered public accounting firm included an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***We will need additional funds to produce, market, and distribute our product.***

We will have to spend additional funds to produce, market and distribute our product. If we cannot raise sufficient capital, we may have to cease operations and you could lose your investment. We will need additional funds to produce our product for distribution to our target market. Even after we have produced our product, we will have to spend substantial funds on distribution, marketing and sales efforts before we will know if we have commercially viable and marketable/sellable products.

***There is no guarantee that sufficient sale levels will be achieved.***

There is no guarantee that the expenditure of money on distribution and marketing efforts will translate into sufficient sales to cover our expenses and result in profits. Consequently, there is a risk that you may lose all of your investment.

***Our development, marketing, and sales activities are limited by our size.***

Because we are small and do not have much capital, we must limit our product development, marketing, and sales activities. As such we may not be able to complete our production and business development program in a manner that is as thorough as we would like. We may not ever generate sufficient revenues to cover our operating and expansion costs and you may, therefore, lose your entire investment.

***Changes in the non-alcoholic beverage business environment and retail landscape could adversely impact our financial results.***

The non-alcoholic beverage business environment is rapidly evolving as a result of, among other things, changes in consumer preferences, including changes based on health and nutrition considerations and obesity concerns; shifting consumer tastes and needs; changes in consumer lifestyles; and competitive product and pricing pressures. In addition, the non-alcoholic beverage retail landscape is very dynamic and constantly evolving, not only in emerging and developing markets, where modern trade is growing at a faster pace than traditional trade outlets, but also in developed markets, where discounters and value stores, as well as the volume of transactions through e-commerce, are growing at a rapid pace. If we are unable to successfully adapt to the rapidly changing environment and retail

landscape, our share of sales, volume growth and overall financial results could be negatively affected.

***Intense competition and increasing competition in the commercial beverage market could hurt our business.***

The commercial retail beverage industry, and in particular its non-alcoholic beverage segment, is highly competitive. Market participants are of various sizes, with various market shares and geographical reach, some of whom have access to substantially more sources of capital.

We compete generally with all liquid refreshments, including bottled water and numerous specialty beverages, such as: SoBe; Snapple; Arizona; Vitamin Water; Gatorade; and Powerade.

We compete indirectly with major international beverage companies including but not limited to: the Coca-Cola Company; PepsiCo, Inc.; Nestl; Dr Pepper Snapple Group; Groupe Danone; Kraft Foods Group, Inc.; and Unilever. These companies have established market presence in the United States, and offer a variety of beverages that are substitutes to our product. We face potential direct competition from such companies, because they have the financial resources, and access to manufacturing and distribution channels to rapidly enter the alkaline water market.

We compete directly with other alkaline water producers and brands focused on the emerging alkaline beverage market including: Eternal; Essentia; Icelandic; Real Water; Aqua Hydrate; Mountain Valley; Qure; Penta; and Alka Power. These companies could bolster their position in the alkaline water market through additional expenditure and promotion.

As a result of both direct and indirect competition, our ability to successfully distribute, market and sell our product, and to gain sufficient market share in the United States to realize profits may be limited, greatly diminished, or totally diminished, which may lead to partial or total loss of your investments in our company.

***Alternative non-commercial beverages or processes could hurt our business.***

The availability of non-commercial beverages, such as tap water, and machines capable of producing alkaline water at the consumer's home or at store-fronts could hurt our business, market share, and profitability.

***Expansion of the alkaline beverage market or sufficiency of consumer demand in that market for operations to be profitable are not guaranteed.***

The alkaline water market is an emerging market and there is no guarantee that this market will expand or that consumer demand will be sufficiently high to allow our company to successfully market, distribute and sell our product, or to successfully compete with current or future competition, all of which may result in total loss of your investment.

***Our growth and profitability depends on the performance of third-parties and our relationship with them.***

Our distribution network and its success depend on the performance of third parties. Any non-performance or deficient performance by such parties may undermine our operations, profitability, and result in total loss to your investment. To distribute our product, we use a broker-distributor-retailer network whereby brokers represent our products to distributors and retailers who will in turn sell our product to consumers. The success of this network will depend on the performance of the brokers, distributors and retailers of this network. There is a risk that a broker, distributor, or retailer may refuse to or cease to market or carry our product. There is a risk that the mentioned entities may not adequately perform their functions within the network by, without limitation, failing to distribute to sufficient retailers or positioning our product in localities that may not be receptive to our product. Furthermore, such third-parties' financial position or market share may deteriorate, which could adversely affect our distribution, marketing and sale activities. We also need to maintain good commercial relationships with third-party brokers, distributors and retailers so that they will promote and carry our product. Any adverse consequences resulting from the performance of third-parties or our relationship with them could undermine our operations, profitability and may

result in total loss of your investment.

***The loss of one or more of our major customers or a decline in demand from one or more of these customers could harm our business.***

We have 2 major customers that together account for 54% (33% and 21%, respectively) of accounts receivable at June 30, 2014, and 4 customers that together account for 54% (16%, 13%, 13% and 12%, respectively) of the total revenues earned for the period ended June 30, 2014. There can be no assurance that such customers will continue to order our products in the same level or at all. A reduction or delay in orders from such customers, including reductions or delays due to market, economic or competitive conditions, could have a material adverse effect on our business, operating results and financial condition.

***Health benefits of alkaline water is not guaranteed or proven, rather it is perceived by consumers.***

Health benefits of alkaline water are not guaranteed and have not been proven. There is a consumer perception that drinking alkaline water has beneficial health effects. Consequently, negative changes in consumers' perception of the benefits of alkaline water or negative publicity surrounding alkaline water may result in loss of market share or potential market share and hence loss of your investment.

***Water scarcity and poor quality could negatively impact our production costs and capacity.***

Water is the main ingredient in our product. It is also a limited resource, facing unprecedented challenges from overexploitation, increasing pollution, poor management, and climate change. As demand for water continues to increase, as water becomes scarcer, and as the quality of available water deteriorates, we may incur increasing production costs or face capacity constraints that could adversely affect our profitability or net operating revenues in the long run.

***Increase in the cost, disruption of supply or shortage of ingredients, other raw materials or packaging materials could harm our business.***

We and our bottlers will use water, 84 trace Himalayan salts, packaging materials for bottles such as plastic and paper products. The prices for these ingredients, other raw materials and packaging materials fluctuate depending on market conditions. Substantial increases in the prices of our or our bottlers' ingredients, other raw materials and packaging materials, to the extent they cannot be recouped through increases in the prices of finished beverage products, would increase our operating costs and could reduce our profitability. Increases in the prices of our finished products resulting from a higher cost of ingredients, other raw materials and packaging materials could affect the affordability of our product and reduce sales.

An increase in the cost, a sustained interruption in the supply, or a shortage of some of these ingredients, other raw materials, or packaging materials and containers that may be caused by a deterioration of our or our bottlers' relationships with suppliers; by supplier quality and reliability issues; or by events such as natural disasters, power outages, labor strikes, political uncertainties or governmental instability, or the like, could negatively impact our net revenues and profits.

***Changes in laws and regulations relating to beverage containers and packaging could increase our costs and reduce demand for our products.***

We and our bottlers intend to offer our product in nonrefillable, recyclable containers in the United States. Legal requirements have been enacted in various jurisdictions in the United States requiring that deposits or certain ecotaxes or fees be charged for the sale, marketing and use of certain nonrefillable beverage containers. Other proposals relating to beverage container deposits, recycling, ecotax and/or product stewardship have been introduced in various jurisdictions in the United States and overseas, and we anticipate that similar legislation or regulations may be proposed in the future at local, state and federal levels in the United States. Consumers' increased concerns and



changing attitudes about solid waste streams and environmental responsibility and the related publicity could result in the adoption of such legislation or regulations. If these types of requirements are adopted and implemented on a large scale in the geographical regions in which we operate or intend to operate, they could affect our costs or require changes in our distribution model, which could reduce our net operating revenues or profitability.

***Significant additional labeling or warning requirements or limitations on the availability of our product may inhibit sales of affected products.***

Various jurisdictions may seek to adopt significant additional product labeling or warning requirements or limitations on the availability of our product relating to the content or perceived adverse health consequences of our product. If these types of requirements become applicable to our product under current or future environmental or health laws or regulations, they may inhibit sales of our product.

***Unfavorable general economic conditions in the United States could negatively impact our financial performance.***

Unfavorable general economic conditions, such as a recession or economic slowdown, in the United States could negatively affect the affordability of, and consumer demand for, our product in the United States. Under difficult economic conditions, consumers may seek to reduce discretionary spending by forgoing purchases of our products or by shifting away from our beverages to lower-priced products offered by other companies, including non-alkaline water. Consumers may also cease purchasing bottled water and consume tap water. Lower consumer demand for our product in the United States could reduce our profitability.

***Adverse weather conditions could reduce the demand for our products.***

The sales of our products are influenced to some extent by weather conditions in the markets in which we operate. Unusually cold or rainy weather during the summer months may have a temporary effect on the demand for our product and contribute to lower sales, which could have an adverse effect on our results of operations for such periods.

***Changes in, or failure to comply with, the laws and regulations applicable to our products or our business operations could increase our costs or reduce our net operating revenues.***

The advertising, distribution, labeling, production, safety, sale, and transportation in the United States of our product will be subject to: the Federal Food, Drug, and Cosmetic Act; the Federal Trade Commission Act; the Lanham Act; state consumer protection laws; competition laws; federal, state, and local workplace health and safety laws, such as the Occupational Safety and Health Act; various federal, state and local environmental protection laws; and various other federal, state, and local statutes and regulations. Legal requirements also apply in many jurisdictions in the United States requiring that deposits or certain ecotaxes or fees be charged for the sale, marketing, and use of certain non-refillable beverage containers. The precise requirements imposed by these measures vary. Other types of statutes and regulations relating to beverage container deposits, recycling, ecotaxes and/or product stewardship also apply in various jurisdictions in the United States. We anticipate that additional, similar legal requirements may be proposed or enacted in the future at the local, state and federal levels in the United States. Changes to such laws and regulations could increase our costs or reduce our net operating revenues.

In addition, failure to comply with environmental, health or safety requirements and other applicable laws or regulations could result in the assessment of damages, the imposition of penalties, suspension of production, changes to equipment or processes, or a cessation of operations at our or our bottlers' facilities, as well as damage to our image and reputation, all of which could harm our profitability.

***Our products are considered premium and healthy beverages and are being sold at premium prices compared to our competitors; we cannot provide any assurances as to consumers' continued market acceptance of our current and future products.***

We will compete directly with other alkaline water producers and brands focused on the emerging alkaline beverage market including Eternal, Essentia, Icelandic, Real Water, Aqua Hydrate, Mountain Valley, Qure, Penta, and Alka Power. Products offered by our direct competitors are sold in various volumes and prices with prices ranging from approximately \$1.39 for a half-liter bottle to approximately \$2.99 for a one-liter bottle, and volumes ranging from

half-liter bottles to one-and-a half liter bottles. We currently offer our product in a three-liter bottle for a suggested retail price (SRP) of \$3.99 and one-gallon bottle for an SRP of \$4.99. Our competitors may introduce larger sizes and offer them at an SRP that is lower than our product. We can provide no assurances that consumers will continue to purchase our product or that they will not prefer to purchase a competitive product.

***We rely on key executive officers, and their knowledge of our business would be difficult to replace.***

We are highly dependent on our two executive officers, Steven P. Nickolas and Richard A. Wright. We do not have key person life insurance policies for any of our officers. The loss of management and industry expertise of any of our key executive officers could result in delays in product development, loss of any future customers and sales and diversion of management resources, which could adversely affect our operating results.

***Our executive officers are not subject to supervision or review by an independent board or audit committee.***

Our board of directors consists of Steven P. Nickolas and Richard A. Wright, our executive officers. Accordingly, we do not have any independent directors. Also we do not have an independent audit committee. As a result, the activities of our executive officers are not subject to the review and scrutiny of an independent board of directors or audit committee.

### **Risk Related to Our Stock**

***Because Steven P. Nickolas controls a large percentage of our voting stock, he has the ability to influence matters affecting our stockholders.***

Steven P. Nickolas, our President, Chief Executive Officer and Director, exercises voting and dispositive power with respect to 43,000,000 shares of our common stock, which are beneficially owned by WiN Investments, LLC and Lifewater Industries, LLC, and owns 10,000,000 shares of Series A Preferred Stock, which has 10 votes per share upon any matter submitted to our stockholders for a vote. Accordingly, he controls a large percentage of the votes attached to our outstanding voting securities. As a result, he has the ability to influence matters affecting our stockholders, including the election of our directors, the acquisition or disposition of our assets, and the future issuance of our securities. Because he controls such large percentage of votes, investors may find it difficult to replace our management if they disagree with the way our business is being operated. Because the influence by Mr. Nickolas could result in management making decisions that are in the best interest of Mr. Nickolas and not in the best interest of the investors, you may lose some or all of the value of your investment in our common stock.

***Because we can issue additional shares of common stock, our stockholders may experience dilution in the future.***

We are authorized to issue up to 1,125,000,000 shares of common stock and 100,000,000 shares of preferred stock, of which 102,927,070 shares of common stock are issued and outstanding and 20,000,000 shares of Series A Preferred Stock are issued and outstanding as of October 16, 2014. Our board of directors has the authority to cause us to issue additional shares of common stock and preferred stock, and to determine the rights, preferences and privileges of shares of our preferred stock, without consent of our stockholders. Consequently, the stockholders may experience more dilution in their ownership of our stock in the future.

***Trading on the OTCQB may be volatile and sporadic, which could depress the market price of our common stock and make it difficult for our stockholders to resell their shares.***

Our common stock is quoted on the OTC Markets Group's OTCQB. Trading in stock quoted on the OTCQB is often thin and characterized by wide fluctuations in trading prices, due to many factors that may have little to do with our operations or business prospects. This volatility could depress the market price of our common stock for reasons unrelated to operating performance. Moreover, the OTCQB is not a stock exchange, and trading of securities on the OTCQB is often more sporadic than the trading of securities listed on a national securities exchange like the NASDAQ or the NYSE. Accordingly, stockholders may have difficulty reselling any of our shares.



***A decline in the price of our common stock could affect our ability to raise further working capital, it may adversely impact our ability to continue operations and we may go out of business.***

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. Because we plan to acquire a significant portion of the funds we need in order to conduct our planned operations through the sale of equity securities, a decline in the price of our common stock could be detrimental to our liquidity and our operations because the decline may cause investors not to choose to invest in our stock. If we are unable to raise the funds we require for all our planned operations, we may be forced to reallocate funds from other planned uses and may suffer a significant negative effect on our business plan and operations, including our ability to develop new products and continue our current operations. As a result, our business may suffer, and not be successful and we may go out of business. We also might not be able to meet our financial obligations if we cannot raise enough funds through the sale of our equity securities and we may be forced to go out of business.

***Because we do not intend to pay any cash dividends on our shares of common stock in the near future, our stockholders will not be able to receive a return on their shares unless they sell them.***

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the near future. The declaration, payment and amount of any future dividends will be made at the discretion of the board of directors, and will depend upon, among other things, the results of operations, cash flows and financial condition, operating and capital requirements, and other factors as the board of directors considers relevant. There is no assurance that future dividends will be paid, and if dividends are paid, there is no assurance with respect to the amount of any such dividend. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them.

***Our stock is a penny stock. Trading of our stock may be restricted by the SEC's penny stock regulations, which may limit a stockholder's ability to buy and sell our stock.***

Our stock is a penny stock. The Securities and Exchange Commission (SEC) has adopted Rule 15c-9 which generally defines penny stock to be any equity security that has a market price (as defined in Rule 15c-9) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The term accredited investor refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC, which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

***FINRA sales practice requirements may also limit a stockholder's ability to buy and sell our stock.***

In addition to the penny stock rules promulgated by the SEC, the Financial Industry Regulatory Authority ( **FINRA** ) has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for brokerdealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock.







### **October 8, 2013 Private Placement**

Effective October 8, 2014, we issued 1,250,000 units to ManyTitles Inc. as a finder's fee in connection with a non-brokered private placement of an aggregate of 1,250,000 shares of our common stock at a purchase price of \$0.40 per share for gross proceeds of \$500,000. Each unit consisted of one share purchase warrant entitling the holder to purchase, for a period of two years from issuance, one share of our common stock at an exercise price of \$0.50 per share and one-half of one share purchase warrant, with each whole share purchase warrant entitling the holder to purchase, for a period of two years from issuance, one share of our common stock at an exercise price of \$0.60 per share. The finder was not a U.S. Person (as that term is defined in Regulation S of the Securities Act of 1933) and all of these investors and finder acquired the securities in transactions outside of the United States. In issuing these securities to the finder, we relied on the registration exemption provided for in Regulation S and/or Section 4(a)(2) of the Securities Act of 1933.

### **October 7, 2014 Warrant Amendment Agreement**

In September 2014, Bank Gutenberg AG and ManyTitles Inc. transferred the above share purchase warrants to Neil William Rogers. Mr. Rogers is not a U.S. Person (as that term is defined in Regulation S of the Securities Act of 1933) and he acquired the securities in transactions outside of the United States, relying on the registration exemption provided for in Regulation S promulgated under the Securities Act of 1933.

On October 7, 2014, we entered into a warrant amendment agreement (the **Warrant Amendment Agreement**) with Neil William Rogers, whereby we agreed to reduce the exercise price of the 4,699,800 share purchase warrants (the **Existing Warrants**) held by him to \$0.10 per share in consideration for the immediate exercise of the Existing Warrants by Mr. Rogers and Mr. Rogers was to be issued new common stock purchase warrants of our company (the **New Warrants**) in the form of the Existing Warrants to purchase up to a number of shares of our common stock equal to the number of Existing Warrants exercised by Mr. Rogers, provided that the exercise price of the New Warrants will be \$0.125 per share, subject to adjustment in the New Warrants.

On October 7, 2014, pursuant to the Warrant Amendment Agreement, we issued an aggregate of 4,699,800 shares of our common stock upon exercise of the Existing Warrants at an exercise price of \$0.10 per share for aggregate gross proceeds of \$469,980. In addition, we issued New Warrants to purchase an aggregate of 4,699,800 shares of our common stock at an exercise price of \$0.125 per share for a period of two years from the date of issuance.

These securities were issued to one non-U.S. person (as that term is defined in Regulation S of the Securities Act of 1933) in an offshore transaction relying on Regulation S and/or Section 4(a)(2) of the Securities Act of 1933.

### **Selling Stockholders**

The selling stockholder may offer and sell, from time to time, any or all of shares of our common stock that have been issued or may be issued upon exercise of the warrants.

The following table sets forth certain information regarding the beneficial ownership of shares of common stock by the selling stockholder as of October 16, 2014 and the number of shares of our common stock being offered pursuant to this prospectus. We believe that the selling stockholder has sole voting and investment powers over his shares.

Because the selling stockholder may offer and sell all or only some portion of the 9,399,600 shares of our common stock being offered pursuant to this prospectus, the numbers in the table below representing the amount and percentage of these shares of our common stock that will be held by the selling stockholder upon termination of the offering are only estimates based on the assumption that the selling stockholder will sell all of his shares of our common stock being offered in the offering.

The selling stockholder has not had any position or office, or other material relationship with us or any of our affiliates over the past three years.

To our knowledge, the selling stockholder is not a broker-dealer or an affiliate of a broker-dealer. We may require the selling stockholder to suspend the sales of the shares of our common stock being offered pursuant to this prospectus upon the occurrence of any event that makes any statement in this prospectus or the related registration statement untrue in any material respect or that requires the changing of statements in those documents in order to make statements in those documents not misleading.

| Name of Selling Stockholder | Shares Owned by the Selling Stockholder before the Offering <sup>(1)</sup> | Total Shares Offered in the Offering | Number of Shares to Be Owned by Selling Stockholder After the Offering and Percent of Total Issued and Outstanding Shares <sup>(1)</sup> |                               |
|-----------------------------|--|--------------------------------------|--|-------------------------------|
|                             |  |                                      | # of Shares <sup>(3)</sup>   | % of Class <sup>(2),(3)</sup> |
| Neil William Rogers         | 9,399,600 <sup>(4)</sup>   | 9,399,600 <sup>(5)</sup>             | Nil  | *                             |

**Notes**

\* Less than 1%.

- (1) Beneficial ownership is determined in accordance with Securities and Exchange Commission rules and generally includes voting or investment power with respect to shares of common stock. Shares of common stock subject to options and warrants currently exercisable, or exercisable within 60 days, are counted as outstanding for computing the percentage of the person holding such options or warrants but are not counted as outstanding for computing the percentage of any other person.
- (2) We have assumed that the selling stockholder will sell all of the shares being offered in this offering.
- (3) Based on 118,135,825 shares of our common stock issued and outstanding as of October 16, 2014. Shares of our common stock being offered pursuant to this prospectus by a selling stockholder are counted as outstanding for computing the percentage of the selling stockholder.
- (4) Consists of 4,699,800 shares of our common stock and 4,699,800 shares of our common stock issuable upon exercise of warrants.
- (5) Consists of 4,699,800 shares of our common stock issued upon exercise of warrants and 4,699,800 shares of our common stock issuable upon exercise of warrants.

**Plan of Distribution**

Each selling stockholder of the securities and any of his pledgees, assignees and successors-in-interest may, from time to time, sell any or all of his securities covered hereby on the OTC Markets Group's OTCQB or any other stock exchange, market or trading facility on which the securities are traded or in private transactions. A selling stockholder may sell all or a portion of the shares being offered pursuant to this prospectus at fixed prices, at prevailing market prices at the time of sale, at varying prices or at negotiated prices. A selling stockholder may use any one or more of the following methods when selling securities:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales;
- in transactions through broker-dealers that agree with the selling stockholder to sell a specified number of such securities at a stipulated price per security;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The selling stockholder may also sell securities under Rule 144 under the Securities Act of 1933 (the **Securities Act** ), if available, rather than under this prospectus.

Broker-dealers engaged by the selling stockholder may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholder (or, if any broker-dealer acts as agent for the purchaser of securities, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with FINRA IM-2440.

In connection with the sale of the securities or interests therein, the selling stockholder may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging the positions they assume. The selling stockholder may also sell securities short and deliver these securities to close out his short positions, or loan or pledge the securities to broker-dealers that in turn may sell these securities. The selling stockholder may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of securities offered by this prospectus, which securities such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling stockholder and any broker-dealers or agents that are involved in selling the securities may be deemed to be **underwriters** within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the securities purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. We are required to pay certain fees and expenses incurred by us incident to the registration of the securities.

Because selling stockholder may be deemed to be **underwriters** within the meaning of the Securities Act, he will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus.

The resale securities will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Securities Exchange Act of 1934, any person engaged in the distribution of the resale securities may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the selling stockholder will be subject to applicable provisions of the Securities Exchange Act of 1934 and the rules and regulations thereunder, including Regulation M, which may limit the timing of

purchases and sales of securities of the common stock by the selling stockholder or any other person. We will make copies of this prospectus available to the selling stockholder and will inform him of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

## Description of Securities

### Capital Stock

The aggregate number of shares that we have the authority to issue is 1,225,000,000, of which 1,125,000,000 shares are common stock, with a par value of \$0.001 per share, and 100,000,000 shares are preferred stock, with a par value of \$0.001 per share. 20,000,000 shares of our authorized preferred stock are designated as Series A Preferred Stock, which have 10 votes per share and are not convertible into shares of our common stock. 1,000 shares of our authorized preferred stock are designated as 10% Series B Convertible Preferred Stock, which have a stated value of \$1,000 per share and have liquidation preferences, dividend rights, redemption rights and conversion rights.

As of October 16, 2014, there were 118,135,825 shares of our common stock issued and outstanding, 20,000,000 shares of Series A Preferred Stock issued and outstanding and no shares of 10% Series B Convertible Preferred Stock issued and outstanding.

### Common Stock

Our common stock is entitled to one vote per share on all matters submitted to a vote of our stockholders, including the election of directors. Except as otherwise provided by law or as provided in any resolution adopted by our board of directors providing for the issuance of any series of preferred stock, the holders of our common stock possess all voting power. There is no cumulative voting in the election of directors. Stockholders holding at least 10% of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, will constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the articles of incorporation. When a quorum is present or represented at any meeting, the vote of the stockholders of a majority of the stock having voting power present in person or represented by proxy will be sufficient to elect members of our board of directors or to decide any question brought before such meeting, unless the question is one upon which by express provision of statute or of the articles of incorporation, a different vote is required in which case such express provision will govern and control the decision of such question. Except as otherwise required by law, any action required to be taken at a meeting of our stockholders, or any other action which may be taken at a meeting of our stockholders, may be taken without a meeting, without prior notice and without a vote if written consents are signed by our stockholders representing a majority of the shares entitled to vote at such a meeting.

Our board of directors has the power to amend our bylaws. As a result, our board of directors can change the quorum and voting requirements at a meeting of our stockholders, subject to the applicable laws.

Subject to any preferential rights of any outstanding series of preferred stock created by our board of directors from time to time, the holders of our common stock are entitled to receive, when, as and if declared by our board of directors, out of funds legally available therefore, dividends payable in cash, stock or otherwise. Our board of directors is not obligated to declare a dividend. Any future dividends will be subject to the discretion of our board of directors and will depend upon, among other things, future earnings, the operating and financial condition of our company, its capital requirements, general business conditions and other pertinent factors. It is not anticipated that dividends will be paid in the foreseeable future.

Upon any liquidation of our company, and after holders of any outstanding series of preferred stock have been paid in full the amounts to which they respectively are entitled or a sum sufficient for such payment in full has been set aside, the remaining net assets of our company are to be distributed pro rata to the holders of our common stock, to the exclusion of holders of our preferred stock.

Our common stock is not convertible or redeemable and has no preemptive, subscription or conversion rights. There are no conversions, redemption, sinking fund or similar provisions regarding our common stock.





***Preferred Stock***

Our preferred stock may be divided into and issued in series. Our board of directors is authorized to divide the authorized shares of preferred stock into one or more series, each of which will be so designated as to distinguish the shares thereof from the shares of all other series and classes. Our board of directors is authorized to fix and determine the designations, rights, qualifications, preferences, limitations and terms of the shares of any series of preferred stock including but not limited to the following.

- (a) The rate of dividend, the time of payment of dividends, whether dividends are cumulative, and the date from which any dividends will accrue;
- (b) Whether shares may be redeemed, and, if so, the redemption price and the terms and conditions of redemption;
- (c) The amount payable upon shares in the event of voluntary or involuntary liquidation;
- (d) Sinking fund or other provisions, if any, for the redemption or purchase of shares;
- (e) The terms and conditions on which shares may be converted, if the shares of any series are issued with the privilege of conversion;
- (f) Voting powers, if any, provided that if any of the preferred stock or series thereof will have voting rights, such preferred stock or series will vote only on a share for share basis with the common stock on any matter, including but not limited to the election of directors, for which such preferred stock or series has such rights; and
- (g) Subject to the foregoing, such other terms, qualifications, privileges, limitations, options, restrictions, and special or relative rights and preferences, if any, of shares or such series as our board of directors may, at the time so acting, lawfully fix and determine under the laws of the State of Nevada.

We must not declare, pay or set apart for payment any dividend or other distribution (unless payable solely in shares of common stock or other class of stock junior to the preferred stock as to dividends or upon liquidation) in respect of common stock, or other class of stock junior to the preferred stock, nor must we redeem, purchase or otherwise acquire for consideration shares of any of the foregoing, unless dividends, if any, payable to holders of preferred stock for the current period (and in the case of cumulative dividends, if any, payable to holders of preferred stock for the current period and in the case of cumulative dividends, if any, for all past periods) have been paid, are being paid or have been set aside for payment, in accordance with the terms of the preferred stock, as fixed by our board of directors.

In the event of the liquidation of our company, holders of preferred stock are entitled to receive, before any payment or distribution on the common stock or any other class of stock junior to the preferred stock upon liquidation, a distribution per share in the amount of the liquidation preference, if any, fixed or determined in accordance with the terms of such preferred stock plus, if so provided in such terms, an amount per share equal to accumulated and unpaid dividends in respect of such preferred stock (whether or not earned or declared) to the date of such distribution. Neither the sale, lease or exchange of all or substantially all of the property and assets of our company, nor any consolidation or merger of our company, will be deemed to be a liquidation for this purpose.

***Series A Preferred Stock***

20,000,000 shares of our authorized preferred stock are designated as *Series A Preferred Stock*. Except with respect to matters which adversely affect the holders of *Series A Preferred Stock*, as required by law, or as required by the articles of incorporation, the holders of *Series A Preferred* and the holders of common stock of our company, are

entitled to notice of any stockholders meeting and to vote as a single class upon any matter submitted to the stockholders for a vote, on the following basis: (a) holders of common stock will have one vote per share of common stock held by them; and holders of Series A Preferred Stock will have 10 votes per share of Series A Preferred Stock. Shares of Series A Preferred Stock are not convertible into shares of our common stock.

***10% Series B Convertible Preferred Stock***

1,000 shares of our authorized preferred stock are designated as 10% Series B Convertible Preferred Stock , which have a stated value of \$1,000 per share.

## **Anti-Takeover Provisions**

Some features of the Nevada Revised Statutes, which are further described below, may have the effect of deterring third parties from making takeover bids for control of our company or may be used to hinder or delay a takeover bid. This would decrease the chance that our stockholders would realize a premium over market price for their shares of common stock as a result of a takeover bid.

### ***Combination with Interested Stockholder***

The Nevada Revised Statutes contain provisions governing combination of a Nevada corporation that has 200 or more stockholders of record with an interested stockholder. As of October 16, 2014, we had approximately 80 stockholders of record. Therefore, we believe that these provisions governing combination of a Nevada corporation do not apply to us and will not until such time as these requirements have been met. At such time as they may apply to us, these provisions may also have effect of delaying or making it more difficult to effect a change in control of our company.

A corporation affected by these provisions may not engage in a combination within three years after the interested stockholder acquires his, her or its shares unless the combination or purchase is approved by the board of directors before the interested stockholder acquired such shares. Generally, if approval is not obtained, then after the expiration of the three-year period, the business combination may be consummated with the approval of the board of directors before the person became an interested stockholder or a majority of the voting power held by disinterested stockholders, or if the consideration to be received per share by disinterested stockholders is at least equal to the highest of:

- the highest price per share paid by the interested stockholder within the three years immediately preceding the date of the announcement of the combination or within three years immediately before, or in, the transaction in which he, she or it became an interested stockholder, whichever is higher;
- the market value per share on the date of announcement of the combination or the date the person became an interested stockholder, whichever is higher; or
- if higher for the holders of preferred stock, the highest liquidation value of the preferred stock, if any.

Generally, these provisions define an interested stockholder as a person who is the beneficial owner, directly or indirectly of 10% or more of the voting power of the outstanding voting shares of a corporation. Generally, these provisions define combination to include any merger or consolidation with an interested stockholder, or any sale, lease, exchange, mortgage, pledge, transfer or other disposition, in one transaction or a series of transactions with an interested stockholder of assets of the corporation having:

- an aggregate market value equal to 5% or more of the aggregate market value of the assets of the corporation;
- an aggregate market value equal to 5% or more of the aggregate market value of all outstanding shares of the corporation; or
- representing 10% or more of the earning power or net income of the corporation.

### ***Articles of Incorporation and Bylaws***

There are no provisions in our articles of incorporation or our bylaws that would delay, defer or prevent a change in control of our company and that would operate only with respect to an extraordinary corporate transaction involving our company, such as merger, reorganization, tender offer, sale or transfer of substantially all of its assets, or liquidation.

### **Experts and Counsel**

The financial statements of our company included in this prospectus have been audited by Seale and Beers, CPAs, to the extent and for the period set forth in their report (which contains an explanatory paragraph regarding our ability to continue as a going concern) appearing elsewhere in the prospectus, and are included in reliance upon such report given upon the authority of said firm as experts in auditing and accounting.

Clark Wilson LLP has provided us with an opinion on the validity of the shares of our common stock being offered pursuant to this prospectus.

### **Interest of Named Experts and Counsel**

No expert named in the registration statement of which this prospectus forms a part as having prepared or certified any part thereof (or is named as having prepared or certified a report or valuation for use in connection with such registration statement) or counsel named in this prospectus as having given an opinion upon the validity of the securities being offered pursuant to this prospectus or upon other legal matters in connection with the registration or offering such securities was employed for such purpose on a contingency basis. Also at the time of such preparation, certification or opinion or at any time thereafter, through the date of effectiveness of such registration statement or that part of such registration statement to which such preparation, certification or opinion relates, no such person had, or is to receive, in connection with the offering, a substantial interest, direct or indirect, in our company or any of its parents or subsidiaries. Nor was any such person connected with our company or any of its parents or subsidiaries as a promoter, managing or principal underwriter, voting trustee, director, officer or employee.

### **Information with respect to Our Company Description of Business**

#### **Corporate Overview**

Our company, The Alkaline Water Company Inc., was incorporated under the laws of the State of Nevada on June 6, 2011 under the name Global Lines Inc. . Our business model prior to the acquisition of Alkaline Water Corp. on May 31, 2013 was to provide chauffeuring and transportation services to residents within our local market, primarily providing transportation services such as private school student transport, sightseeing trips, and elderly transportation, and offering transportation to the airport and special events such as proms and weddings. However, as we had not successfully developed our service and had no source of revenue from our business plan, we determined to seek out a new business opportunity to increase value for our stockholders.

On February 20, 2013, The Alkaline Water Company Inc. (formerly Global Lines Inc.) entered into a non-binding letter of intent with Alkaline 88, LLC (formerly Alkaline 84, LLC), a wholly-owned subsidiary of Alkaline Water Corp., for the acquisition of all of the issued and outstanding securities of the capital of Alkaline 88, LLC. Further to this letter of intent, on May 31, 2013, The Alkaline Water Company Inc. entered into a share exchange agreement with Alkaline Water Corp. and all of its stockholders, and as a result of the closing of this agreement on the same date, Alkaline Water Corp. became a wholly-owned subsidiary of The Alkaline Water Company Inc. Consequently, after the closing of this agreement we adopted the business of Alkaline Water Corp. s wholly-owned subsidiary, Alkaline 88, LLC.

Alkaline Water Corp. was incorporated in the State of Arizona on March 7, 2013, and it is the sole stockholder of Alkaline 88, LLC. Alkaline Water Corp. is the wholly-owned subsidiary of The Alkaline Water Company Inc., and Alkaline 88, LLC is Alkaline Water Corp. s wholly-owned subsidiary.

Prior to the closing of the share exchange agreement, on May 30, 2013, our company effected a name change by merging with its wholly-owned Nevada subsidiary named The Alkaline Water Company Inc. with our company as the surviving corporation under the new name The Alkaline Water Company Inc. In addition, on May 30, 2013, our company effected a 15:1 forward stock split of our authorized and issued and outstanding common stock.

On October 7, 2013, we amended our articles of incorporation to create 100,000,000 shares of preferred stock by filing a Certificate of Amendment to Articles of Incorporation with the Secretary of State of the State of Nevada. The preferred stock may be divided into and issued in series, with such designations, rights, qualifications, preferences, limitations and terms as fixed and determined by our board of directors. As a result, the aggregate number of shares that we have the authority to issue is 1,225,000,000, of which 1,125,000,000 shares are common stock, with a par value of \$0.001 per share, and 100,000,000 shares are preferred stock, with a par value of \$0.001 per share.

On October 8, 2013, we designated 20,000,000 shares of the authorized and unissued preferred stock of our company as Series A Preferred Stock by filing a Certificate of Designation with the Secretary of State of the State of Nevada. The Series A Preferred Stock has 10 votes per share and is not convertible into shares of our common stock.

On November 5, 2013, we designated 1,000 shares of the authorized and unissued preferred stock of our company as 10% Series B Convertible Preferred Stock by filing a Certificate of Designation with the Secretary of State of the State of Nevada. The 10% Series B Convertible Preferred Stock has, among other things, conversion rights, liquidation preferences, dividend rights, redemption rights and conversion rights.

The principal offices of our company are located at 7730 E Greenway Road, Ste. 203, Scottsdale, AZ 85260. Our telephone number is (480) 656-2423.

### **Principal Products**

Our company offers retail consumers bottled alkaline water in three-liter and one-gallon and 700 ml volumes through our brand Alkaline88. Our product is produced through an electrolysis process that uses specialized electronic cells coated with a variety of rare earth minerals to produce our 8.8 pH drinking water without the use of any chemicals. Our product also incorporates 84 trace Himalayan salts.

The main reason consumers drink our product is for the perceived benefit that a proper pH balance helps fight disease and boosts the immune system and the perception that alkaline water helps to maintain a proper body pH and keeps cells young and hydrated.

### **Operations**

Alkaline 88, LLC, our operating subsidiary, operates primarily as a marketing and distribution company. Alkaline 88, LLC has entered into exclusive arrangements with Water Engineering Solutions LLC, an entity that is controlled and owned by our President, Chief Executive Officer, director and major stockholder, Steven P. Nickolas, and our Vice-President, Secretary, Treasurer and director, Richard A. Wright, for the manufacture and production of our alkaline generating electrolysis system machines. Alkaline 88, LLC has entered into one-year agreement(s) with, White Water, LLC, Brookshire's Grocery Company and UNIX Packaging, Inc. to act as our initial co-packers. Our branding is being coordinated through 602 Design, LLC and our component materials are readily available through multiple vendors. Our principal suppliers are Plastipack Packaging and Polyplastics Co.

Sample production and testing of our product began in late 2012. We have currently established one contract manufacturing in Phoenix, Arizona, one in Tyler, Texas and one in Montebello, California. We plan to establish other key manufacturing facilities throughout the United States to support the national distribution of our product.

Our product is currently at the introduction and expansion phase of its lifecycle. In March 2012 Alkaline 88, LLC did market research on the demand for a bulk alkaline product at the Natural Product Expo West in Anaheim, California. In January 2013, we began the formal launching of our product in Southern California and Arizona. Since then, we have begun to deliver product through approximately 8,500 retail outlets throughout the United States. We are presently in 49 States and the District of Columbia. Although over 40% of our current sales are concentrated in the Southwest and Texas. We have distribution agreements with large national distributors (UNFI, KeHe, Tree of Life, Natures Best and C&S Distributors representing over 100,000 retail establishments). Our current stores include convenience stores, natural food products stores, large ethnic markets and national retailers. Currently, we sell all of our products to our retailers through brokers and distributors. Our larger retail clients bring the water in through their own warehouse distribution network. Our current retail clients are made up of a variety of the following; convenience stores, including 7-11 s; large national retailers, including Albertson s, Fry s and Smith s (both Kroger companies), and regional grocery chains such as Schnucks, Smart & Final and Jewel-Osco, Sprouts, Bashas , Bristol Farms, Vallarta, Superior Foods, Brookshire s and other companies throughout the United States.

In April 2014 we entered into an exclusive territorial distribution agreement with Kalil Bottling Co. on a new single serve 700 ml Bottle with a sport cap. This exclusivity is in Arizona and other areas in the Southwestern United States. Kalil Bottling Co. is a direct to store distributor (DSD) and we plan to expand the use of DSD s for our single serving packaging through the remainder of 2014.

In order to continue our expansion, we anticipate that we will be required, in most cases, to continue to give promotional deals throughout 2014 and in subsequent years on a quarterly basis ranging from a 5%-15% discount similar to all other beverage company promotional programs. It has been our experience that most of the retailers have requested some type of promotional introductory program which has included either a \$0.25 -\$0.50 per unit discount on an initial order; a buy one get one free program; or a free-fill program which includes 1-2 cases of free product per store location. Slotting has only been presented and negotiated in the larger national grocery chains and, in most cases, is offset by product sales. Our slotting fees with our current national retailers do not exceed \$200,000 in the aggregate and are offset through product sales. In addition we participate in promotional activities of our distributors, these fees are not in excess of \$200,000 and are offset through product sales.

### **Plan of Operations**

In order for us to implement our business plan over the next twelve-month period, we have identified the following milestones that we expect to achieve:

- **Training and Hiring of Staff** - The first milestone that we expect to achieve throughout 2014 will be hiring and the internal training of our sales and marketing staff and logistic personnel, located in Scottsdale, Arizona.
- We expect to continue to develop our working relationship with our national broker network known as Beacon United, except in the Northeast. We continually meet train and go on sales call with the Beacon United Network in order to take advantage of the momentum currently being created by their efforts. We anticipate a considerable amount of travel and ongoing for both internal staff and Beacon United at an estimated cost during that time of \$100,000.
- **Increase Manufacturing Capacity** We anticipate during the second half on 2014 that we will need to secure an additional four contract manufacturing facilities, beyond the three that currently exist in Phoenix, Arizona, Tyler, Texas and Montebello, California. The strategic importance of this is to reduce freight costs that are currently being incurred with respect to shipping product around the country. We are currently in negotiations with four contract packaging facilities located in Pennsylvania, North Carolina, Illinois, and Georgia. . Based on the location of various retailers in different parts of the country and our expected growth, we anticipate that we will need to open a new facility every two months in 2014. Each of the contract packaging facilities will require the installation of a specifically designed proprietary piece of equipment that will allow them to manufacture and produce our Alkaline 88 products. The cost of each of these systems, including installation, is approximately \$230,000, per system. We anticipate having all four of these additional locations in operation by the end of 2014. Depending on the demand for our product, we anticipate that some of these contract packers up to three or four of our standard systems. Given the total cost of each machine, along with the ancillary storage equipment and installation, of approximately \$230,000, the total cost of implementation and expansion to the various contract packers could be in excess of \$2,300,000.



- **Expand Retail Distribution** - As the contract packaging facilities continue to come online, it is imperative to the execution of our business plan that we continue to sign up major retailers for the acceptance and sales of our product throughout the United States, Canada and Mexico. We anticipate most major markets and retailers in the country to be opened prior to the end of 2014. We are currently in negotiations or have received the new item paperwork from retailers that will introduce our Alkaline 88 product line to over 350 retailers, representing approximately 30,000 store locations throughout North America. We believe that it will be possible for us to bring on an additional four to five retailers per month over the next twelve months. The cost of this retail expansion is expected to be \$500,000 during that time.
- **Addition of Support Staff** - In order to support expansion efforts and to continue the training and support of our broker network, we will need to hire approximately ten more people on the corporate level, most of which will be hired for the specific purpose of supporting the broker, distributor and retailers and their logistical requirements. We continue to seek and interview candidates to fill our growing need for additional staffing. The additional cost of these new hires is expected to be approximately \$1,000,000 in salary and benefits over the next twelve months.
- **Capital Considerations** Our business plan can be adjusted based on the available capital to the business. We plan to begin moving in an eastward direction and building machines and entering into co-packing arrangements as funding allows. We anticipate that approximately \$2,300,000 is necessary in order to build-out a national presence for our product and to allow for the purchase of the necessary equipment and facilities over the next twelve months.

We believe that our cash flows from operations will not meet our present and near-term cash needs and thus we will require additional cash resources, including the sale of equity or debt securities, to meet our planned capital expenditures and working capital requirements for the next 12 months. We estimate that our capital needs over the next 12 months will be \$1,100,000 to \$4,100,000, depending on how we can continue to expand the distribution of our products across the country. We will require additional cash resources to purchase equipment, increase the production of our products, implement our strategy to expand our sales and marketing initiatives and increase brand awareness. If our own financial resources and then current cash-flows from operations are insufficient to satisfy our capital requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity securities will result in dilution to our stockholders. The incurrence of indebtedness will result in increased debt service obligations and could require us to agree to operating and financial covenants that could restrict our operations or modify our plans to grow the business. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, will limit our ability to expand our business operations and could harm our overall business prospects.

### **Distribution Method for Our Product**

Our distribution network is a broker-distributor-retailer network, whereby brokers represent our products to distributors and retailers. Our target retail markets are: (a) chain and independent health food stores; (b) grocery stores; (c) convenience stores; (d) drug stores; and (e) the mass retail market.

Currently we have gained broker representation through the Beacon United Group of brokers, which extend throughout the United States.

Across the country and in all categories of retail trade, we are aggressively utilizing both DSD (direct to store deliveries) and warehouse opportunities in the distribution of our products throughout the country.

We have been successful in reaching 21 of the top 75 retail grocery stores and have ongoing meetings with all categories of retail grocery stores.

National distribution is being arranged through our distributor network including, but not limited: KeHE, Tree of Life, UNFI ,Nature s Best and C&S Distributors with a combined account total of over 100,000.



Our retail network currently consists of Albertson's/SuperValu, Superior Grocers, Kroger (Fry's and Smith's) Vallarta Supermarkets., Schnucks, Smart & Final and Jewel-Osco, Sprouts, Bashas, Bristol Farms, Vallarta, Superior Foods, and Brookshire's.

### **Dependence on Few Customers**

We have 2 major customers that together account for 54% (33% and 21%, respectively) of accounts receivable at June 30, 2014, and 4 customers that together account for 54% (16%, 13%, 13% and 12%, respectively) of the total revenues earned for the period ended June 30, 2014.

### **Marketing**

We intend to market our product through our broker network and to avail ourselves to the promotional activities of other companies and competitors regarding the benefits of alkaline water. We anticipate that our initial marketing thrust will be to support the retailers and distribution network with point of sales displays and other marketing materials, strategically adding an extensive public relations program and other marketing as the markets dictate.

### **Competition**

The beverage industry is extremely competitive. The principal areas of competition include pricing, packaging, development of new products and flavors, and marketing campaigns. Our product will be competing directly with a wide range of drinks produced by a relatively large number of manufacturers. Most of these brands have enjoyed broad, well-established national recognition for years, through well-funded ad and other marketing campaigns. In addition, companies manufacturing these products generally have far greater financial, marketing, and distribution resources than we have.

Important factors that will affect our ability to compete successfully include the continued public perception of the benefits of alkaline water, taste and flavor of our product, trade and consumer promotions, the development of new, unique and cutting edge products, attractive and unique packaging, branded product advertising, pricing, and the success of our distribution network.

We will also be competing to secure distributors who will agree to market our product over those of our competitors, provide stable and reliable distribution, and secure adequate shelf space in retail outlets. The extremely competitive pressures within the beverage categories could result in our product never even being introduced beyond what they can market locally themselves.

Our product will compete generally with all liquid refreshments, including bottled water and numerous specialty beverages, such as SoBe, Snapple, Arizona, Vitamin Water, Gatorade, and Powerade. We will compete directly with other alkaline water producers and brands focused on the emerging alkaline beverage market including Eternal, Essentia, Icelandic, Real Water, Aqua Hydrate, Mountain Valley, Qure, Penta, and Alka Power.

Products offered by our direct competitors are sold in various volumes and prices with prices ranging from approximately \$1.39 for a half-liter bottle to \$2.99 for a one-liter bottle, and volumes ranging from half-liter bottles to one-and-a-half liter bottles. We currently offer our product in a three-liter bottle for an SRP of \$3.99 and one-gallon bottle for an SRP of \$4.99 and 700 millimeter single serving at SRP of \$1.29.

### **Intellectual Property**

Where available, we intend to obtain trademark protection in the United States for a number of trademarks for slogans and product designs. We intend to aggressively assert our rights under trade secret, unfair competition, trademark and copyright laws to protect our intellectual property, including product design, product research and concepts and

recognized trademarks. These rights are protected through the acquisition of patents and trademark registrations, the maintenance of trade secrets, the development of trade dress, and, where appropriate, litigation against those who are, in our opinion, infringing these rights. The trademark for Alkaline 88 has been approved and is currently active. The trade mark for A88 has been applied for and is being prosecuted.

While there can be no assurance that registered trademarks will protect our proprietary information, we intend to assert our intellectual property rights against any infringer. Although any assertion of our rights could result in a substantial cost to, and diversion of effort by, our company, management believes that the protection of our intellectual property rights will be a key component of our sales and operating strategy.

### **Seasonality of Business**

The sales of our products are influenced to some extent by weather conditions in the markets in which we operate. Unusually cold or rainy weather during the summer months may have a temporary effect on the demand for our product and contribute to lower sales, which could have an adverse effect on our results of operations for such periods.

### **Research and Development Costs During the Last Two Years**

Alkaline 88, LLC has worked with Water Engineering Solutions, LLC, an entity that is controlled and majority-owned by Steven P. Nickolas and Richard A. Wright, on the research and development activities related to the development of our alkaline generating electrolysis system machines, a proprietary alkaline water system.

### **Government Regulation**

The advertising, distribution, labeling, production, safety, sale, and transportation in the United States of our product will be subject to: the Federal Food, Drug, and Cosmetic Act; the Federal Trade Commission Act; the Lanham Act; state consumer protection laws; competition laws; federal, state and local workplace health and safety laws; various federal, state and local environmental protection laws; and various other federal, state and local statutes and regulations.

Legal requirements apply in many jurisdictions in the United States requiring that deposits or certain ecotaxes or fees be charged for the sale, marketing, and use of certain non-refillable beverage containers. The precise requirements imposed by these measures vary. Other types of statutes and regulations relating to beverage container deposits, recycling, ecotaxes and/or product stewardship also apply in various jurisdictions in the United States. We anticipate that additional, similar legal requirements may be proposed or enacted in the future at the local, state and federal levels in the United States.

Any third-party bottling facility that we may choose to utilize in the future and any other such operations will be subject to various environmental protection statutes and regulations, including those relating to the use of water resources and the discharge of wastewater. It will be our policy to comply with any and all such legal requirements. Compliance with these provisions has not had, and we do not expect such compliance to have, any material adverse effect on our capital expenditures, net income or competitive position.

### **Employees**

In addition to Steven P. Nickolas, who is our President, Chief Executive Officer, director and major stockholder, and Richard A. Wright, who is our Vice-President, Secretary, Treasurer and director, we currently employ 8 full time employees and 1 part-time employee in marketing, accounting and administration. We also work with retail brokers in the United States who are paid on a contract basis. Our operations are overseen directly by management that engages our employees to carry on our business. Our management oversees all responsibilities in the areas of corporate administration, business development, and research. We intend to expand our current management to retain skilled directors, officers, and employees with experience relevant to our business focus. Our management's relationships with manufacturers, distillers, development/research companies, bottling concerns, and certain retail customers will provide the foundation through which we expect to grow our business in the future. We believe that the skill-set of our management team will be a primary asset in the development of our brands and trademarks. We also plan to form an independent network of contract sales and regional managers, a promotional support team, and several market

segment specialists who will be paid on a variable basis.

### Description of Property

We do not own any real estate or other property used in the operation of our current business. Our principal offices are located at 7730 E Greenway Road Ste. 203, Scottsdale, AZ 85260 with the size of 3,500 square feet. We have recently entered into a new leasing arrangement with rent arrangement with 7730 E Greenway Properties, an unrelated third party, for \$2,000 per month. We believe that the condition of our principal offices is satisfactory, suitable and adequate for our current needs.

### Legal Proceedings

We know of no material pending legal proceedings to which our company or any of our subsidiaries is a party or of which any of our properties, or the properties of any of our subsidiaries, is the subject. In addition, we do not know of any such proceedings contemplated by any governmental authorities.

We know of no material proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholder is a party adverse to our company or any of our subsidiaries or has a material interest adverse to our company or any of our subsidiaries.

### Market Price of and Dividends on Our Common Equity and Related Stockholder Matters

#### Market information

Our common stock is quoted on the OTC Markets Group's OTCQB under the trading symbol WTER. Trading in stocks quoted on the OTCQB is often thin and is characterized by wide fluctuations in trading prices due to many factors that may be unrelated or have little to do with a company's operations or business prospects.

Our common stock became eligible for quotation on the OTC Bulletin Board on July 10, 2012 and became ineligible for quotation on July 17, 2014. During the year ended March 31, 2013, no shares of our common stock traded.

Set forth below are the range of high and low bid quotations for the periods indicated as reported by the OTC Bulletin Board. The market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions.

| Quarter Ended      | High Bid | Low Bid  |
|--------------------|----------|----------|
| September 30, 2014 | \$0.227  | \$0.092  |
| June 30, 2014      | \$0.438  | \$0.10   |
| March 31, 2014     | \$0.26   | \$0.15   |
| December 31, 2013  | \$0.70   | \$0.2501 |
| September 30, 2013 | \$1.305  | \$0.35   |
| June 30, 2013      | \$0      | \$0      |

On October 15, 2014, the closing price of our common stock as reported by the OTCQB was \$0.102 per share.

#### Transfer Agent

Our shares of common stock are issued in registered form. The transfer agent and registrar for our common stock is Island Stock Transfer, located at 15500 Roosevelt Boulevard, Suite 301, Clearwater, Florida 33760.



### **Holders of Common Stock**

As of October 16, 2014, there were approximately 80 holders of record of our common stock. As of such date, 118,135,825 shares were issued and outstanding.

### **Dividends**

The payment of dividends, if any, in the future, rests within the sole discretion of our board of directors. The payment of dividends will depend upon our earnings, our capital requirements and our financial condition, as well as other relevant factors. We have not declared any cash dividends since our inception and have no present intention of paying any cash dividends on our common stock in the foreseeable future.

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where, after giving effect to the distribution of the dividend:

1. We would not be able to pay our debts as they become due in the usual course of business; or
2. Our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of stockholders who have preferential rights superior to those receiving the distribution.

**Financial Statements**

**Financial Statements For the Years Ended March 31, 2014 and 2013**

Report of Independent

Registered Public Accounting firm

Consolidated Balance Sheets

Consolidated Statement of Operations

Consolidated Statements of Stockholders' Deficit

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

**Financial Statements for the Three Month Periods Ended June 30, 2014 and 2013**

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Cash Flows

Notes to Condensed Consolidated Financial Statements

SEALE AND BEERS, CPAs  
PCAOB REGISTERED AUDITORS  
www.sealebeers.com

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Board of Directors and Stockholders of  
The Alkaline Water Company Inc  
(A Development Stage Company)**

We have audited the accompanying balance sheets of The Alkaline Water Company Inc (A Development Stage Company) as of March 31, 2014 and 2013 and the related statements of income, stockholders' equity (deficit), and cash flows for each of the years then ended, and since inception on June 19, 2012 through March 31, 2014. The Alkaline Water Company Inc's management is responsible for these financial statements. 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 audit 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 The Alkaline Water Company Inc (A Development Stage Company) as of March 31, 2014 and 2013, and the related statements of income, stockholders' equity (deficit), and cash flows for each of the years then ended and since inception on June 19, 2012 through March 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has negative working capital at March 31, 2014, has incurred recurring losses and recurring negative cash flow from operating activities, and has an accumulated deficit which raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*/s/ Seale and Beers, CPAs*

Seale and Beers, CPAs  
Las Vegas, Nevada  
June 30, 2014

50 S. Jones Blvd., Suite 201 - Las Vegas, NV 89107 Phone: (888)727-8251 Fax: (888)782-2351

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**THE ALKALINE WATER COMPANY, INC.**  
**(FORMERLY GLOBAL LINES, INC.)**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED BALANCE SHEETS**

March 31, 2014      March 31, 2013

| ASSETS   |    |             |             |
|--|----|-------------|-------------|
| Current assets:  |    |             |             |
| Cash   | \$ | 2,665       | \$ 64,607   |
| Accounts receivable  |    | 166,404     | 15,110      |
| Inventory  |    | 57,965      | 7,573       |
| Deferred financing cost  |    | 54,288      | -           |
| Total current assets   |    | 281,322     | 87,290      |
| Fixed assets, net  |    | 286,986     | 38,083      |
| Equipment deposits - related party   |    | -           | 15,000      |
| Total assets   | \$ | 568,308     | \$ 140,373  |
| LIABILITIES AND STOCKHOLDERS' DEFICIT  |    |             |             |
| Current liabilities:   |    |             |             |
| Accounts payable   | \$ | 320,154     | \$ 12,651   |
| Accounts payable - related party   |    | 18,403      | 490         |
| Accrued expenses   |    | 56,601      | 5,400       |
| Accrued interest   |    | 19,829      | 1,315       |
| Revolving financing  |    | 83,348      | -           |
| Notes payable  |    | -           | 150,000     |
| Derivative liability   |    | 337,988     | -           |
| Total current liabilities  |    | 836,323     | 169,856     |
| Redeemable convertible Preferred stock   |    | 83,820      | -           |
| Stockholders' deficit:   |    |             |             |
| Preferred stock - \$0.001 par value, 100,000,000 shares authorized.  |    |             |             |
| Series A issued 20,000,000   |    | 20,000      | -           |
| Common stock, Class A, \$0.001 par value, 1,125,000,000 shares authorized,<br>81,602,175 and 77,500,000 shares issued and outstanding as of March 31,<br>2014 and March 31, 2013, respectively |    |             |             |
|  |    | 81,602      | 77,500      |
|  |    | -           |             |
| Additional paid in capital   |    | 4,059,464   | 176,405     |
| Common stock issuable  |    | -           | -           |
| Deficit accumulated during development stage   |    | (4,512,901) | (283,388)   |
| Total stockholders' deficit  | \$ | (351,835)   | \$ (29,483) |
| Total liabilities and stockholders' deficit  | \$ | 568,308     | \$ 140,373  |

See Accompanying Notes to Condensed Consolidated Financial Statements.

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**THE ALKALINE WATER COMPANY, INC.**  
**(FORMERLY GLOBAL LINES, INC.)**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

|  | For the year ended<br>March 31, 2014 | Inception (June 19,<br>2012 to<br>March 31, 2013 | Inception (June 19,<br>2012 to<br>March 31, 2014 |
|--|--------------------------------------|--|--|
| Revenue  | \$ 552,699                           | \$ 15,110  | \$ 567,809                                       |
| Cost of goods sold   | 411,851                              | 8,026  | 419,877  |
| Gross profit   | 140,848                              | 7,084  | 147,932  |
| Operating expenses:  |                                      |  |  |
| Sales and marketing expenses                                 | 464,081                              | 88,229   | 552,310  |
| General and administrative                                   | 3,852,773                            | 89,608   | 3,942,381  |
| General and administrative - related party                   | 62,092                               | 104,929  | 167,021  |
| Depreciation expense   | 42,407                               | 1,814  | 44,221   |
| Total operating expenses                                     | 4,421,353                            | 284,580  | 4,705,933  |
| Other Income (expenses):                                     |                                      |  |  |
| Interest expense   | (11,057)                             | (1,315)  | (12,372)   |
| Interest expense on redeemable preferred stock               | (468,255)                            |  | (468,255)  |
| Fees paid on credit line                                     | (8,603)                              |  | (8,603)  |
| Placement agent fee to acquired credit line                  | (10,000)                             |  | (10,000)   |
| Amortization of debt discount                                | (107,532)                            |  | (107,532)  |
| Other expenses   | (1,529)                              | (4,577)  | (6,106)  |
| Other income - related party                                 | 40,029                               |  | 40,029   |
| Change in derivative liability                               | 617,939                              |  | 617,939  |
| Total other expense  | 50,992                               | (5,892)  | 45,100   |
| Net loss   | \$ (4,229,513)                       | \$ (283,388)                                     | \$ (4,512,901)                                   |
| Weighted average number of common shares outstanding - basic | 80,220,729                           | 4,000  |  |
| Net loss per share - basic                                   | \$ (0.05)                            | \$ (70.85)                                       |  |

See Accompanying Notes to Condensed Consolidated Financial Statements.

**THE ALKALINE WATER COMPANY, INC.**  
**(FORMERLY GLOBAL LINES, INC.)**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS (DEFICIT)**

|   | Preferred Stock |           | Common Stock |           | Additional      | Deficit      |             |
|---|-----------------|-----------|--------------|-----------|-----------------|--------------|-------------|
|   | Number          | Par Value | Number       | Par Value | Paid-in Capital | Accumulated  | Total       |
| Inception<br>(June 19,<br>2012)   | -               | \$ -      | -            | \$ -      | -               | \$ -         | -           |
| Effect of<br>reverse<br>merger<br>between<br>Global<br>Lines, Inc.<br>and The<br>Alkaline<br>Water<br>Corp. on<br>March 31,<br>2013 |                 |           | 77,500,000   | 77,500    | 176,405         |              | 253,905     |
| Net (loss)<br>from<br>Inception<br>to March<br>31, 2013   |                 |           |              |           |                 | (283,388)    | (283,388)   |
| Balance,<br>March 31,<br>2013   | -               | \$ -      | 77,500,000   | \$ 77,500 | \$ 176,405      | \$ (283,388) | \$ (29,483) |
| Common<br>stock<br>issued at<br>\$.40 for<br>conversion<br>of notes<br>and interest<br>payable                                      |                 |           | 574,675      | 574       | 229,295         |              | 229,869     |
| Common<br>stock<br>issued for<br>cash at<br>\$.40 per<br>share  |                 |           | 2,562,500    | 2,563     | 1,022,438       |              | 1,025,001   |
| Common<br>stock<br>issued for<br>services at<br>\$.55 per   |                 |           | 250,000      | 250       | 137,250         |              | 137,500     |

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|   |            |           |            |           |              |    |             |             |             |
|---|------------|-----------|------------|-----------|--------------|----|-------------|-------------|-------------|
| share   |            |           |            |           |              |    |             |             |             |
| Common stock issued for services at \$.56 per share     |            |           | 200,000    | 200       | 111,800      |    |             |             | 112,000     |
| Common stock issued for services at \$.35 per share     |            |           | 100,000    | 100       | 34,910       |    |             |             | 35,010      |
| Common stock issued for services at \$.33 per share     |            |           | 85,000     | 85        | 27,710       |    |             |             | 27,795      |
| Common stock issued for services at \$.36 per share     |            |           | 50,000     | 50        | 17,700       |    |             |             | 17,750      |
| Common stock issued for services at \$.27 per share     |            |           | 190,000    | 190       | 51,110       |    |             |             | 51,300      |
| Common stock issued for services at \$.28 per share     |            |           | 90,000     | 90        | 25,110       |    |             |             | 25,200      |
| Issuance of options for common stock at \$.61 per share |            |           |            |           |              |    |             | 2,225,736   | 2,225,736   |
| Issuance of Series A preferred stock to officers        | 20,000,000 | 20,000    |            |           |              |    |             |             | 20,000      |
| Net (loss)  |            |           |            |           |              |    |             | (4,229,513) | (4,229,513) |
|   | 20,000,000 | \$ 20,000 | 81,602,175 | \$ 81,602 | \$ 4,059,464 | \$ | (4,512,901) | \$          | (351,835)   |



Balance,  
March 31,  
2014

See Accompanying Notes to Condensed Consolidated Financial Statements.

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**THE ALKALINE WATER COMPANY, INC.**  
**(FORMERLY GLOBAL LINES, INC.)**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | For the year<br>ended<br>March 31, 2014 | Inception (June<br>19, 2012) to<br>March 31, 2013 | Inception (June 19,<br>2012 to<br>March 31, 2014 |
|--|---|---|--|
| <b>CASH FLOWS FROM OPERATING<br/>ACTIVITIES</b>                                  |   |   |  |
| Net loss   | \$ (4,229,513)                          | \$ (283,388)                                      | (4,512,901)                                      |
| Adjustments to reconcile net income to net cash used<br>in operating activities: |   |   |  |
| Bad Debt expense   | 10,000                                  |   | 10,000   |
| Depreciation expense   | 42,407                                  | 1,814   | 44,221   |
| Interest expense converted to common stock                                       | 3,555                                   |   | 3,555  |
| Shares issued for services   | 2,652,291                               |   | 2,652,291  |
| Amortization of debt discount  | 107,532                                 |   | 107,532  |
| Interest expense on redeemable preferred stock<br>on initial issuance            | 455,926                                 |   | 455,926  |
| Change in derivative liabilities   | (617,939)                               |   | (617,939)  |
| Changes in operating assets and liabilities:                                     |   |   |  |
| Accounts receivable  | (161,294)                               | (15,110)  | (176,404)  |
| Inventory  | (50,392)                                | (7,573)   | (57,965)   |
| Prepaid expenses and other current assets  | -                                       |   | -  |
| Accounts payable   | 307,504                                 | 13,141  | 320,645  |
| Accounts payable - related party   | 17,913                                  |   | 17,913   |
| Accrued expenses   | 51,201                                  | 5,400   | 56,601   |
| Accrued interest   | 19,829                                  | 1,315   | 21,144   |
| Net cash used in operating activities  | (1,390,980)                             | (284,401)   | (1,675,381)                                      |
| <b>CASH FLOWS FROM INVESTING<br/>ACTIVITIES</b>                                  |   |   |  |
| Purchase of fixed assets   | (276,310)                               | (39,897)  | (316,207)  |
| Deposits   | -                                       | (15,000)  | (15,000)   |
| Net cash used in investing activities  | (276,310)                               | (54,897)  | (331,207)  |
| <b>CASH FLOWS FROM FINANCING<br/>ACTIVITIES</b>                                  |   |   |  |
| Proceeds from notes payable  | -                                       | 150,000   | 150,000  |
| Proceeds from revolving financing  | 83,348                                  |   | 83,348   |
| Proceeds from sale of common stock   | 1,100,000                               |   | 1,100,000  |
| Proceeds from sale of mandatory redeemable<br>preferred stock, net               | 422,000                                 |   | 422,000  |
| Shareholder contribution   |   | 264,575   | 264,575  |
| Shareholder distribution   |   | (10,670)  | (10,670)   |
| Net cash provided by financing activities  | 1,605,348                               | 403,905   | 2,009,253  |

|                             |          |           |          |
|-----------------------------|----------|-----------|----------|
| NET CHANGE IN CASH          | (61,942) | 64,607    | 2,665    |
| CASH AT BEGINNING OF PERIOD | 64,607   | -         | -        |
| CASH AT END OF PERIOD       | \$ 2,665 | \$ 64,607 | \$ 2,665 |

## SUPPLEMENTAL INFORMATION:

|                   |      |      |
|-------------------|------|------|
| Interest paid     | \$ - | \$ - |
| Income taxes paid | \$ - | \$ - |

NON-CASH INVESTING AND FINANCING  
ACTIVITIES:

|  |            |      |
|--|------------|------|
| Debt converted to common stock                     | \$ 229,870 | \$ - |
| Derivative liability on redeemable preferred stock | 422,000    | -    |

See Accompanying Notes to Condensed Consolidated Financial Statements.

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**THE ALKALINE WATER COMPANY INC.  
(FORMERLY GLOBAL LINES INC.)  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Development Stage Company

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles related to development stage companies. A development-stage company is one in which planned principal operations have not commenced or if its operations have commenced, there has been no significant revenues there from.

Basis of presentation

The audited consolidated financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in U.S. dollars, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management, are necessary for fair presentation of the information contained therein.

Principles of consolidation

For the period from June 19, 2012 to March 31, 2014, the consolidated financial statements include the accounts of Alkaline Water Corp. (an Arizona Corporation) and Alkaline 88 LLC (formerly Alkaline 84, LLC) (an Arizona Limited Liability Company). For the period from April 1, 2013 to March 31, 2014, the consolidated financial statements include the accounts of The Alkaline Water Company Inc. (a Nevada Corporation), Alkaline Water Corp. (an Arizona Corporation) and Alkaline 84, LLC (an Arizona Limited Liability Company).

All significant intercompany balances and transactions have been eliminated. The Alkaline Water Company Inc. (a Nevada Corporation), Alkaline Water Corp. (an Arizona Corporation) and Alkaline 88, LLC (an Arizona Limited Liability Company) will be collectively referred herein to as the Company. Any reference herein to The Alkaline Water Company Inc., the Company, we, our or us is intended to mean The Alkaline Water Company Inc., including the subsidiaries indicated above, unless otherwise indicated.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less to be considered cash equivalents. The carrying value of these investments approximates fair value. The Company had \$2,665 and \$64,607 in cash and cash equivalents at March 31, 2014 and 2013, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

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The Company generally does not require collateral, and the majority of its trade receivables are unsecured. The carrying amount for accounts receivable approximates fair value.

Accounts receivable consisted of the following as of March 31, 2014 and 2013:

|                                       | <u>2014</u> | <u>2013</u> |
|---------------------------------------|-------------|-------------|
| Trade receivables                     | \$ 176,404  | \$ 15,110   |
| Less: Allowance for doubtful accounts | (10,000)    | -           |
| Net accounts receivable               | \$ 166,404  | \$ 15,110   |

Accounts receivable are periodically evaluated for collectability based on past credit history with clients. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risk in the account balance and current economic conditions.

### Inventory

Inventory represents raw and blended chemicals and other items valued at the lower of cost or market with cost determined using the weight average method which approximates first-in first-out method, and with market defined as the lower of replacement cost or realizable value.

As of March 31, 2014 and 2013, inventory consisted of the following:

|                 | <u>2014</u> | <u>2013</u> |
|-----------------|-------------|-------------|
| Raw materials   | \$ 24,022   | \$ 5,125    |
| Finished goods  | 33,943      | 2,449       |
| Total inventory | \$ 57,965   | \$ 7,573    |

### Property and equipment

The Company records all property and equipment at cost less accumulated depreciation. Improvements are capitalized while repairs and maintenance costs are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful life of the assets or the lease term, whichever is shorter. Depreciation periods are as follows for the relevant fixed assets:

|           |         |
|-----------|---------|
| Equipment | 5 years |
|-----------|---------|

### Stock-based Compensation

The Company accounts for stock-based compensation to employees in accordance with FASB ASC 718. Stock-based compensation to employees is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite employee service period. The Company accounts for stock-based compensation to other than employees in accordance with FASB ASC 505-50. Equity instruments issued to other than employees are valued at the earlier of a commitment date or upon completion of the services, based on the fair value of the equity instruments and is recognized as expense over the service period. The Company estimates the fair value of stock-based payments using the Black-Scholes option-pricing model for common stock options and warrants and the closing price of the Company's common stock for common share issuances.

### Advertising

Advertising costs are charged to operations when incurred. Advertising expense for the years ended March 31, 2014 and 2013 were \$160,464 and \$3,005, respectively.

### Revenue recognition

The Company recognizes revenue when all of the following conditions are satisfied: (1) there is persuasive evidence of an arrangement; (2) the product or service has been provided to the customer; (3) the amount to be paid by the customer is fixed or determinable; and (4) the collection of such amount is probable.

The Company records revenue when it is realizable and earned upon shipment of the finished products. The Company does not accept returns due to the nature of the product. However, we will provide credit to our customers for damaged goods.

### Fair Value Measurements

The valuation of our embedded derivatives and warrant derivatives are determined primarily by the multinomial distribution (Lattice) model. An embedded derivative is a derivative instrument that is embedded within another contract, which under the convertible note (the host contract) includes the right to convert the note by the holder, certain default redemption right premiums and a change of control premium (payable in cash if a fundamental change occurs). In accordance with Accounting Standards Codification ("ASC") 815 *Accounting for Derivative Instruments and Hedging Activities*, as amended, these embedded derivatives are marked-to-market each reporting period, with a corresponding non-cash gain or loss charged to the current period. A warrant derivative liability is also determined in accordance with ASC 815. Based on ASC 815, warrants which are determined to be classified as derivative liabilities are marked-to-market each reporting period, with a corresponding non-cash gain or loss charged to the current period. The practical effect of this has been that when our stock price increases so does our derivative liability resulting in a non-cash loss charge that reduces our earnings and earnings per share. When our stock price declines, we record a non-cash gain, increasing our earnings and earnings per share. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, there exists a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

To determine the fair value of our embedded derivatives, management evaluates assumptions regarding the probability of certain future events. Other factors used to determine fair value include our period end stock price, historical stock volatility, risk free interest rate and derivative term. The fair value recorded for the derivative liability varies from period to period. This variability may result in the actual derivative liability for a period either above or below the estimates recorded on our consolidated financial statements, resulting in significant fluctuations in other income (expense) because of the corresponding non-cash gain or loss recorded.

### Concentration

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The Company has 4 major customers that together account for 60% (18%, 14%, 14% and 14%, respectively) of accounts receivable at March 31, 2014, and 5 customers that together account for 66% (20%, 16%, 15%, 8% and 6%, respectively) of the total revenues earned for the year ended March 31, 2014.

The Company has 3 vendors that accounted for 56% (29%, 14%, and 13%, respectively) of purchases for the year ended March 31, 2014.

#### Income Taxes

In accordance with ASC 740 *Accounting for Income Taxes*, the provision for income taxes is computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

#### Basic and Diluted Loss Per Share

Basic and diluted earnings or loss per share (EPS) amounts in the consolidated financial statements are computed in accordance Accounting Standard Codification (ASC) 260-10 *Earnings per Share*, which establishes the requirements for presenting EPS. Basic EPS is based on the weighted average number of common shares outstanding. Diluted EPS is based on the weighted average number of common shares outstanding and dilutive common stock equivalents. Basic EPS is computed by dividing net income or loss available to common stockholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Potentially dilutive securities were excluded from the calculation of diluted loss per share, because their effect would be anti-dilutive.

#### Business Segments

The Company operates on one segment in one geographic location the United States of America and, therefore, segment information is not presented.

#### Fair Value of Financial Instruments

The carrying amounts of the company's financial instruments including accounts payable, accrued expenses, and notes payable approximate fair value due to the relative short period for maturity these instruments.

#### Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitments to a plan of action based on the then known facts.

The Company incurred no environmental expenses during the years ended March 31, 2014 and 2012, respectively.

#### Reclassification

Certain accounts in the prior period were reclassified to conform to the current period financial statements presentation.

#### Recent pronouncements





The Company has evaluated all the recent accounting pronouncements through January 2014 and believes that none of them will have a material effect on our financial statements.

## NOTE 2 GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the recoverability and/or acquisition and sale of assets and the satisfaction of liabilities in the normal course of business. Since its inception, the Company has been engaged substantially in financing activities, developing its business plan and building its initial customer and distribution base for its products. As a result, the Company incurred accumulated net losses from Inception (June 19, 2012) through the period ended March 31, 2014 of \$(4,512,901). In addition, the Company's development activities since inception have been financially sustained through debt and equity financing.

The ability of the Company to continue as a going concern is dependent upon its ability to raise additional capital from the sale of common stock and, ultimately, the achievement of significant operating revenues. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

## NOTE 3 PROPERTY AND EQUIPMENT

Fixed assets consisted of the following at:

|                                | March 31, 2014 | March 31, 2013 |
|--------------------------------|----------------|----------------|
| Machinery and Equipment        | \$ 273,597     | \$ 39,897      |
| Office Equipment               | 53,631         |                |
| Leasehold Improvements         | 3,979          |                |
| Less: Accumulated Depreciation | (44,221)       | (1,814)        |
| Fixed Assets, net              | \$ 286,986     | \$ 38,083      |

Depreciation expense for the years ended March 31, 2014 and 2013 was \$42,407 and \$1,814, respectively.

## NOTE 4 EQUIPMENT DEPOSITS RELATED PARTY

On February 27, 2013, we paid a \$15,000 deposit on equipment that we purchased for approximately \$208,773. During the year ended March 31, 2014, the Company paid an additional \$193,773 for equipment that was completed during this year and \$10,287 for a storage tank. The Company also paid an additional \$201,900 for more equipment, however these funds were returned to the company. As of March 31, 2014, the total amount of deposits for equipment is \$0. The equipment was manufactured by and purchased under an exclusive manufacturing contract from Water Engineering Solutions, LLC, an entity that is controlled and majority owned by Steven P. Nickolas and Richard A. Wright, for the production of our alkaline water.

## NOTE 5 REVOLVING FINANCING

On February 20, 2014, The Alkaline Water Company Inc., and subsidiaries, Alkaline 88, LLC and Alkaline Water Corp., entered into a revolving accounts receivable funding agreement with Gibraltar Business Capital, LLC ( Gibraltar ). Under the agreement, from time to time, the Company agreed to tender to Gibraltar all of our accounts (which is defined as our rights to payment whether or not earned by performance, (i) for property that has been or is to be sold, leased, licensed, assigned or otherwise disposed of, or (ii) for services rendered or to be rendered, or (iii) as otherwise defined in the Uniform Commercial Code of the State of Illinois). Gibraltar will have the right, but will not be obligated, to purchase such accounts tendered in its sole discretion. If Gibraltar purchases such accounts, Gibraltar will make cash advances to us as the purchase price for the purchased accounts.

The Company assumed full risk of non-payment and unconditionally guaranteed the full and prompt payment of the full face amount of all purchased accounts. We also agreed to direct all parties obligated to pay the accounts to send all payments for all accounts directly to Gibraltar. All collections from accounts will be applied to our indebtedness, which is defined as the amount owed by us to Gibraltar from time to time, i.e., all cash advances, plus all charges, plus all other amounts owing from us to Gibraltar pursuant to the agreement, less all collections retained by Gibraltar from either purchased accounts or from us which are applied to indebtedness, unless Gibraltar elects to hold any such collections to establish reserves to secure payment of any purchased accounts.

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In consideration of Gibraltar's purchase of the accounts, the Company agreed to pay Gibraltar interest on the indebtedness outstanding at the rate of 8% per annum plus the prime rate in effect at the end of each month with the prime rate for these purposes never being less than 3.25% per annum, calculated on a 360-day year and payable monthly. In addition, the Company agreed to pay to Gibraltar a monthly collateral/management fee in the amount of 0.5% calculated on the average daily borrowing amount for the given month and an unused line fee of 0.25% monthly based on the difference between the actual line of credit and the average daily borrowing amount for the given month. The Company also agreed to pay to Gibraltar upon execution of the agreement and as of the commencement of each renewal term, a closing cost of 1% of the initial indebtedness in addition to the amount of any other credit accommodations granted from Gibraltar, which amount will be deducted from the first cash advances.

The initial indebtedness is \$500,000. The Company may request an increase to the initial indebtedness in \$500,000 increments up to \$5,000,000, subject the Company's financial performance and/or projections are satisfactory to Gibraltar, and absent an event of default. The Company also granted to Gibraltar a security interest in all of our presently-owned and hereafter-acquired personal and fixture property, wherever located. The agreement will continue until the first to occur of (i) demand by Gibraltar; or (ii) 24 months from the first day of the month following the date that the first purchased account is purchased and will be automatically renewed for successive periods of 12 months thereafter unless, at least 30 days prior to the end of the term, we give Gibraltar notice of our intention to terminate the agreement. In addition, we will be able to exit the agreement at any time for a fee of 2% of the line of credit in place at the time of repayment. On March 31, 2014 the amount borrowed on this facility was \$83,348.

#### **NOTE 6 DERIVATIVE LIABILITY**

On November 7, 2013, we sold to certain institutional investors 10% Series B Convertible Preferred Shares which are subject to mandatory redemption and include down-round provisions that reduce the exercise price of a warrant and convertible instrument. As required by ASC 815 Derivatives and Hedging, if the Company either issues equity shares for a price that is lower than the exercise price of those instruments or issues new warrants or convertible instruments that have a lower exercise price, the investors will be entitled to down-round protection. The Company evaluated whether its warrants and convertible debt instruments contain provisions that protect holders from declines in its stock price or otherwise could result in modification of either the exercise price or the shares to be issued under the respective warrant agreements. The Company determined that a portion of its outstanding warrants and conversion instruments contained such provisions thereby concluding they were not indexed to the Company's own stock and therefore a derivative instrument.

The range of significant assumptions which the Company used to measure the fair value of warrant liabilities (a level 3 input) at March 31, 2014 is as follows:

|                 | <b><u>Warrant</u></b> | <b><u>Conversion feature</u></b> |
|-----------------|-----------------------|----------------------------------|
| Stock price     | \$ .25                | \$ .25                           |
| Term (Years)    | 1 to 5                | 1                                |
| Volatility      | 138% to 338%          | 138% to 338%                     |
| Exercise prices | \$ 0.55 to 0.25       | \$ 0.43                          |
| Dividend yield  | 0%                    | 0%                               |

The following table sets forth the fair value hierarchy within our financial assets and liabilities by level that were accounted for at fair value on a recurring basis as of March 31, 2014.

**Fair Value Measurement at March 31, 2014**

|                                       | <b>Carrying<br/>Value at<br/>March 31,<br/>2014</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|---------------------------------------|---|----------------|----------------|----------------|
| <b>Liabilities:</b>                   |   |                |                |                |
| Derivative convertible debt liability | \$ 128,668  | \$ -           | \$ -           | \$ 128,668     |
| Derivative warrant liability          | \$ 209,320  | \$ -           | \$ -           | \$ 209,320     |
| Total derivative liability            | \$ 337,988  | \$ -           | \$ -           | \$ 337,988     |

The Company analyzed the warrants and conversion feature under ASC 815 to determine the derivative liability. The Company estimated the fair value of these derivatives using a multinomial distribution (Lattice) valuation model. The fair value of these warrant liabilities at March 31, 2014 was \$209,320 and their conversion feature liability was \$128,668. At November 7, 2013 the fair value of these warrant liabilities was \$606,044 and the conversion feature liability was \$349,883. The change in fair value of derivative liabilities of \$617,937 was included in the consolidated statement of operations for the nine months ended March 31, 2014.

The following table sets forth the fair value hierarchy within our financial assets and liabilities by level that were accounted for at fair value on a recurring basis as of November 7, 2013.

**Fair Value Measurement at November 7, 2013**

|                                       | <b>Carrying<br/>Value at<br/>November 7, 2013</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|---------------------------------------|---|----------------|----------------|----------------|
| <b>Liabilities:</b>                   |   |                |                |                |
| Derivative convertible debt liability | \$ 349,883  | \$ -           | \$ -           | \$ 349,883     |
| Derivative warrant liability          | \$ 606,044  | \$ -           | \$ -           | \$ 606,044     |
| Total derivative liability            | \$ 955,927  | \$ -           | \$ -           | \$ 955,927     |

The range of significant assumptions which the Company used to measure the fair value of warrant liabilities (a level 3 input) at November 7, 2013 is as follows:

|                 | <b>Warrant</b> | <b>Conversion feature</b> |
|-----------------|----------------|---------------------------|
| Stock price     | \$ .50         | \$ .50                    |
| Term (Years)    | 1 to 5         | 1                         |
| Volatility      | 120% to 265%   | 120% to 265%              |
| Exercise prices | \$ 0.55        | \$ 0.43                   |
| Dividend yield  | 0%             | 0%                        |

**NOTE 7 PREFERRED SHARES SUBJECT TO MANDATORY REDEMPTION****Convertible preferred shares**

On November 7, 2013, the Company sold to certain institutional investors an aggregate of 500 shares of our 10% Series B Convertible Preferred Stock ( Series B Preferred Stock ) at a stated value of \$1,000 per share of Series B Preferred Stock for gross proceeds of \$500,000. Additionally the investors also received Series A, Series B and Series C common stock purchase warrants. The Series A warrants will be exercisable into 1,162,791 shares of our common stock at an exercise price of \$0.55 per share, the Series B warrants will be exercisable into 1,162,791 shares of our common stock at an exercise price of \$0.43 per share and the Series C warrants will be exercisable into 1,162,791 shares our common stock at an exercise price of \$0.55 per share. Holders of the Series B Preferred Stock will be entitled to receive cumulative dividends at the rate per share (as a percentage of the stated value per share) of 10% per annum, payable semi-annually. Each share of the Series B Preferred Stock will be convertible at the option of the

holder thereof into that number of shares of common stock determined by dividing the stated value of such share of the Series B Preferred Stock by the conversion price of \$0.43, subject to later adjustment. On November 4, 2013, we also entered into a registration rights agreement with the investors pursuant to which we are obligated to file a registration statement to register the resale of the shares of common stock issuable upon conversion of the Series B Preferred Stock and upon exercise of the Warrants.

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Effective November 7, 2013, the Company issued common stock purchase warrants to the placement agent and its designees as compensation for the services provided by the placement agent in connection with our private placement of 500,000 shares of our 10% Series B Convertible Preferred Stock, which was completed on November 7, 2013. The warrants issued to the placement agent and its designees are exercisable into an aggregate of 116,279 shares of our common stock with an exercise price of \$0.55 per share and have a term of exercise of five years. The Company issued the warrants to six accredited investors and paid certain transactional costs of \$78,000. For the year ended March 31, 2014 the Company recorded \$123,123 of amortization of the debt discount and deferred financing cost.

The 10% Series B Preferred Stock included down-round provisions which reduce the exercise price of a warrant and convertible instrument as required by ASC 815 Derivatives and Hedging . The aggregate of the derivative liability at issuance was \$955,927 which was recorded as amortization of debt discount at issuance. The Company recorded a debt discount cost of \$500,000 and will amortize this cost over the mandatory redemption period.

## **NOTE 8 STOCKHOLDERS EQUITY**

### **Preferred shares**

On October 7, 2013, the Company amended its articles of incorporation to create 100,000,000 shares of preferred stock by filing a Certificate of Amendment to Articles of Incorporation with the Secretary of State of Nevada. The preferred stock may be divided into and issued in series, with such designations, rights, qualifications, preferences, limitations and terms as fixed and determined by our board of directors.

#### Grant of Series A Preferred stock

On October 8, 2013, the Company issued a total of 20,000,000 shares of non-convertible Series A Preferred Stock to Steven A. Nickolas and Richard A. Wright (10,000,000 shares to each), our directors and executive officers, in consideration for the past services, at a deemed value of \$0.001 per share. The company valued these shares based on the cost considering the time and average billing rate of these individuals and recorded a \$20,000 stock compensation cost for the year ended March 31, 2014.

### **Common stock**

We are authorized to issue 1,125,000,000 shares of \$0.001 par value common stock. On May 31, 2013, we effected a 15-for-1 forward stock split of our \$0.001 par value common stock. All shares and per share amounts have been retroactively restated to reflect such split.

Prior to the acquisition of Alkaline Water Corp., we had 109,500,000 shares of common stock issued and outstanding.

On May 31, 2013, we issued 43,000,000 shares in exchange for a 100% interest in Alkaline Water Corp. For accounting purposes, the acquisition of Alkaline Water Corp. by The Alkaline Water Company Inc. has been recorded as a reverse acquisition of a company and recapitalization of Alkaline Water Corp. based on the factors demonstrating that Alkaline Water Corp. represents the accounting acquirer. Consequently, after the closing of this agreement we adopted the business of Alkaline Water Corp. s wholly-owned subsidiary, Alkaline 88, LLC. As part of the acquisition, the former management of the Company agreed to cancel 75,000,000 shares of common stock.

#### Sale of restricted shares

On October 8, 2013, the Company issued an aggregate of 1,250,000 shares of our common stock to three investors in a non-brokered private placement, at a purchase price of \$0.40 per share for gross proceeds of \$500,000. In addition, the Company issued 1,250,000 warrants with an exercise price of \$0.50 per share and 650,000 warrants with an exercise prices of \$0.60 per share to a finder in connection with this private placement. Each unit consisted of one

share purchase warrant entitling the holder to purchase, for a period of two years from issuance, one share of our common stock at an exercise price of \$0.50 per share and one-half of one share purchase warrant, with each whole share purchase warrant entitling the holder to purchase, for a period of two years from issuance, one share of our common stock at an exercise price of \$0.60 per share.

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On May 31, 2013, the Company sold 1,312,500 units at \$0.40 per share for total cash of \$525,000. Each unit consisted of one share of common stock, one warrant which entitles the holder to purchase one share of common stock for a period of 2 years with an exercise price of \$0.50 per share, and 1/2 warrant which entitles the holder to purchase 1/2 share of common stock for a period of 2 years with an exercise price of \$0.60 per share.

On May 31, 2013, the Company converted principal amount of \$225,000 and accrued interest of \$4,870 into 574,675 units at \$0.40 per share for total debt converted of \$229,870. Each unit consisted of one share of common stock, one warrant which entitles the holder to purchase one share of common stock for a period of 2 years with an exercise price of \$0.50 per share, and 1/2 warrant which entitles the holder to purchase 1/2 share of common stock for a period of 2 years with an exercise price of \$0.60 per share.

#### Common stock issued for services

Effective October 10, 2013, the Company issued 200,000 shares of common stock to a consultant in consideration for services rendered by the consultant to our company.

On August 8, 2013, the Company entered into a service contract that included the issuance of 250,000 common shares. These shares were valued at fair value of \$0.55 per share and have been charged as stock compensation to general and administrative expense.

On December 20, 2013, the Company issued 65,000 common shares to employees for services rendered. These shares were valued at fair value of \$0.327 per share and have been charged as stock compensation to general and administrative expense.

Between December 13, 2013 and December 20, 2013, the Company issued 170,000 common shares to consultants for services rendered. These shares were valued at fair value of \$59,300 and have been charged as stock compensation to general and administrative expense.

Between January 2, 2014 and January 14, 2014, the Company issued 280,000 shares of common stock to various consultants in consideration for services rendered by the consultants to the company. These shares were valued at fair value of \$76,500 and have been charged as stock compensation to general and administrative expense.

### **NOTE 9 OPTIONS AND WARRANTS**

#### Stock Option Awards

On October 9, 2013, the Company granted a total of 6,000,000 stock options to Steven A. Nickolas and Richard A. Wright (3,000,000 stock options to each). The stock options are exercisable at the exercise price of \$0.605 per share for a period of ten years from the date of grant. The stock options vest as follows: (i) 1,000,000 upon the date of grant; and (ii) 500,000 per quarter until fully vested.

The Company has recognized compensation expense of \$2,225,736 on the stock options granted that vested during the current period for the nine months ended March 31, 2014. The fair value of the unvested shares is \$1,112,868 as of March 31, 2014 with the total unrecognized compensation cost related to non-vested stock options which is expected to be recognized over a weighted-average period of approximately 1 year. The aggregate intrinsic value of these options was \$0 at March 31, 2014.

Stock option activity summary covering options is presented in the table below:

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|                               | <b>Number of<br/>Shares</b> | <b>Weighted-<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted-<br/>Average<br/>Remaining<br/>Contractual<br/>Term (years)</b> |
|-------------------------------|-----------------------------|---|---|
| Outstanding at March 31, 2013 | -                           | \$ -  | -   |
| Granted                       | 6,000,000                   | \$ 0.61   | 9.8   |
| Exercised                     | -                           | \$ -  | -   |
| Expired/Forfeited             | -                           | \$ -  | -   |
| Outstanding at March 31, 2014 | 6,000,000                   | \$ 0.61   | 9.8   |
| Exercisable at March 31, 2014 | 2,000,000                   | \$ 0.61   | 9.8   |

**Warrants**

The following is a summary of the status of all of our warrants as of March 31, 2014 and changes during the twelve months ended on that date:

|  | <b>Number<br/>of Warrants</b> | <b>Weighted-<br/>Average<br/>Exercise Price</b> |
|--|-------------------------------|---|
| Outstanding at April 1, 2013           | -                             | \$ 0.00   |
| Granted                                | 8,310,415                     | 0.52  |
| Exercised                              | -                             | 0.00  |
| Cancelled                              | -                             | 0.00  |
| Outstanding at March 31, 2014          | 8,310,415                     | 0.52  |
| Warrants exercisable at March 31, 2014 | 7,147,624                     | \$ 0.52   |

The following table summarizes information about stock warrants outstanding and exercisable at March 31, 2014:

**STOCK WARRANTS OUTSTANDING AND EXERCISABLE**

| <b>Exercise Price</b> | <b>Number of<br/>Warrants<br/>Outstanding</b> | <b>Weighted-<br/>Average<br/>Remaining<br/>Contractual<br/>Life in Years</b> | <b>Weighted-<br/>Average<br/>Exercise Price</b> |
|-----------------------|---|--|---|
| \$ 0.50               | 3,137,175                                     | 1.35   | \$ 0.50   |
| \$ 0.60               | 1,568,588                                     | 1.35   | \$ 0.60   |
| \$ 0.55               | 2,441,861                                     | 3.46   | \$ 0.55   |
| \$ 0.43               | 1,162,791                                     | .65  | \$ 0.43   |

**NOTE 10 RELATED PARTY TRANSACTIONS**

On October 8, 2013, the Company issued a total of 20,000,000 shares of non-convertible Series A Preferred Stock to Steven A. Nickolas and Richard A. Wright (10,000,000 shares to each), our directors and executive officers, in consideration for the past services, at a deemed value of \$0.001 per share. We valued these shares based on the cost considering the time and average billing rate of these individuals and recorded a \$20,000 stock compensation cost for the year ended March 31, 2014.

On October 9, 2013, the Company granted a total of 6,000,000 stock options to Steven A. Nickolas and Richard A. Wright (3,000,000 stock options to each). The stock options are exercisable at the exercise price of \$0.605 per share for a period of ten years from the date of grant. The stock options vest as follows: (i) 1,000,000 upon the date of grant; and (ii) 500,000 per quarter until fully vested.

On August 1, 2013 the Company entered into a 3-year sub-lease agreement requiring a monthly payment of \$2,085 for office space in Scottsdale, Arizona, with a basic monthly lease increase of 8% and 7% on each anniversary date.

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The Company or the landlord can cancel the lease with 30 days notice. The sub-lessor is an entity owned by the Company's Chief Executive Officer and President.

As of March 31, 2013, the Company had an equipment deposit totaling \$15,000 to an entity that is controlled and owned by an officer, director and shareholder of the Company. During the period from Inception (June 19, 2012) to March 31, 2013, the Company purchased \$39,897 in equipment from an entity that is controlled and owned by an officer, director and shareholder of the Company.

As of March 31, 2014 the Company had \$0 in equipment deposits with an entity that is controlled and owned by an officer, director and shareholder of the Company. During the year ended March 31, 2014, the Company provided \$201,900 of deposits on equipment used to produce our alkaline water to an entity that is controlled and owned by an officer, director and shareholder of the Company. During the month of March 2014, these funds were returned to the Company.

During the year ended March 31, 2014 the Company acquired equipment of \$208,773 and \$10,287 from an entity that is controlled and majority-owned by an officer, director and shareholder of the Company.

During the year ended March 31, 2014, the Company had a total of \$62,092, in general and administrative expenses with related parties. Of that total for year ended March 31, 2014, \$33,592 was consulting fees to an officer, director and shareholder of the Company, \$12,000 was rent to an entity that is controlled and owned by an officer, director and shareholder of the Company and \$16,500 was professional fees to an entity that is controlled and owned by an officer, director and shareholder. During the period from inception to March 31, 2013, the Company had a total of \$104,929 in general and administrative expenses related party, principally \$69,736 was consulting fees to an officer, director and shareholder of the Company, \$32,322 was rent to an entity that is controlled and owned by an officer, director and shareholder of the Company and \$2,875 was professional fees to an entity that is controlled and owned by an officer, director and shareholder.

During the year ended March 31, 2014, the Company recorded as other related party income a total of \$40,029 to an entity that is controlled and owned by an officer, director and shareholder of the Company. The income reflects the Company's estimate of vehicle rent and labor of an employee when utilized by the related party.

On January 17, 2014 the Company entered into an equipment lease with Water Engineering Solutions LLC, an entity that is controlled and owned by an officer, director and shareholder, for specialized equipment used to make our alkaline water totaling \$190,756 and agreed to a 60 month term at \$2,512 per month and a final payment of \$28,585. On February 12, 2014 the Company amended this lease, as noted above, with equipment deposits of \$201,900 being returned to the Company. In addition the lease terms were amended to 60 monthly payments of \$3,864, payable 30 days after installation of the equipment and a purchase option of \$1.00.

On April 2, 2014 the Company entered into a sale-leaseback transaction with Water Engineering Solutions LLC, an entity that is controlled and owned by an officer, director and shareholder, for specialized equipment with an original cost of \$208,773 acquired in August 2013. The Company received proceeds of \$188,000 in April 2014.

Under the terms of the exclusive manufacturing agreement entered into on April 15, 2013 between the Company and Water Engineering Solutions LLC, a related party, the Company paid \$690,000 on May 1 2014 for specialized equipment used in the production of our alkaline water.

#### **NOTE 11 INCOME TAXES**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company recorded the valuation allowance due to the uncertainty of future realization of federal and state net operating loss carryforwards.

The deferred income tax assets are comprised of the following at March 31:

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|                             | <u>2014</u> | <u>2013</u> |
|-----------------------------|-------------|-------------|
| Deferred income tax assets: | \$ 260,000  | \$ 110,000  |
| Valuation allowance         | (260,000)   | (110,000)   |
| Net total                   | \$ -        | \$ -        |

At March 31, 2014, the Company had net operating loss carryforwards of approximately \$665,000 and net operating loss carryforwards expire in 2023 through 2033.

The valuation allowance was increased by \$150,000 during the year ended March 31, 2014. The current income tax benefit of \$260,000 and \$110,000 generated for the years ended March 31, 2014 and 2013, respectively, was offset by an equal increase in the valuation allowance. The valuation allowance was increased due to uncertainties as to the Company's ability to generate sufficient taxable income to utilize the net operating loss carryforwards and other deferred income tax items.

The Company recognizes interest and penalties related to uncertain tax positions in general and administrative expense. As of March 31, 2014, the Company has no unrecognized uncertain tax positions, including interest and penalties.

## **NOTE 12 COMMITMENTS AND CONTINGENCIES**

### Leases

The Company has long-term leases for its offices under cancelable operating leases from August 1, 2013 through July 31, 2016. At March 31, 2014, future minimum contractual obligations were as follows:

|                               | <u>Facilities</u> | <u>Equipment</u> |
|-------------------------------|-------------------|------------------|
| Year ending March 31, 2015    | \$ 26,333         | \$ 10,436        |
| Year ending March 31, 2016    | 28,293            | 10,436           |
| Year ending March 31, 2017    | 9,648             | 10,436           |
| Year ending March 31, 2018    |                   | 4,347            |
| Total Minimum Lease Payments: | \$ 64,274         | \$ 35,655        |

On August 1, 2013 the Company entered into a 3-year sub-lease agreement requiring a monthly payment of \$2,085 for office space in Scottsdale, Arizona, with a basic monthly lease increase of 8% and 7% on each anniversary date. The Company or the landlord can cancel the lease with 30 days' notice. The sub-lessor is an entity owned by the Company's Chief Executive Officer and President.

On August 2, 2013 the Company entered into a 4-year lease agreement for certain office equipment requiring monthly payment of \$870.

## **NOTE 13 SUBSEQUENT EVENTS**

On April 2, 2014 the Company entered into a sale-leaseback transaction with Water Engineering Solutions LLC, an entity that is controlled and owned by an officer, director and shareholder, for specialized equipment with an original cost of \$208,773 acquired in August 2013. The Company received proceeds of \$188,000 in April 2014.

On April 15, 2014 the Company entered into purchase agreement with Water Engineering Solutions LLC, valued at \$690,000 for equipment utilizing the proceeds from the S-1 offering of May 1, 2014.

Between April 16, 2014 and April 22, 2014, the Redeemable Preferred holders exercise their intention to redeem the Redeemable Preferred all 500 shares partially as a conversion to Common stock and \$292,840 the remaining portion as cash including accrued interest of \$35,456 and penalty for late registration of \$10,212. The Redeemable Preferred

converted 252.83 preferred shares into 796,566 common shares at a conversion price of \$0.3174 per share.

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On May 1, 2014, the Company completed the offering and sale of an aggregate of 17,333,329 shares of our common stock and warrants to purchase an aggregate of 8,666,665 shares of our common stock, for aggregate gross proceeds of \$2,599,999. Each share of common stock we sold in the offering was accompanied by a warrant to purchase one-half of a share of common stock at an exercise price of \$0.15 per share for a period of five years from the date of issuance. Each share of common stock, together with each warrant was sold at a price of \$0.15. These securities were sold pursuant to the securities purchase agreement dated April 28, 2014 and have been registered under the Securities Act of 1933 pursuant to our registration statement on Form S-1, as amended (No. 333-192599), which was declared effective by the Securities and Exchange Commission on April 16, 2014. Pursuant to the engagement agreement dated March 12, 2014 with H.C. Wainwright & Co., LLC ( Wainwright ), Wainwright agreed to act as our exclusive placement agent in connection with the offering. Pursuant to the engagement agreement, the Company paid Wainwright a cash placement fee equal to 8% of the aggregate gross proceeds from the offering, or \$208,000, and a non-accountable expense allowance equal to 1% of the aggregate gross proceeds from the offering, or \$26,000. In addition, we issued warrants to purchase an aggregate of 5.5% of the aggregate number of shares of our common stock sold in the offering, or 953,333, to Wainwright and its designees. These warrants have an exercise price of \$0.1875 per share and expire on April 16, 2019. In issuing these warrants, the Company relied on an exemption from the registration requirements of the Securities Act of 1933 provided by Section 4(a)(2) of the Securities Act of 1933.

Under the terms of the exclusive manufacturing agreement entered into on April 15, 2013 between the Company and Water Engineering Solutions LLC, a related party, the Company paid \$690,000 on May 1 2014 for specialized equipment used in the production of our alkaline water.

On May 12, 2014, the Company granted a total of 820,000 stock options to employees and consultants. The stock options are exercisable at the exercise price of \$0.15 per share for a period of five years from the date of grant. 502,500 stock options vested upon the date of grant, 116,250 stock options vest on June 30, 2014, 116,250 stock options vest on September 30, 2014 and 85,000 stock options vest on December 31, 2014.

On May 12, 2014, the Company granted a total of 1,200,000 stock options Steven A. Nickolas and Richard A. Wright (600,000 stock options to each). The stock options are exercisable at the exercise price of \$0.165 per share for a period of five years from the date of grant. 1,200,000 stock options vested upon the date of grant.

On May 15, 2014, the Company issued 100,000 restricted common shares to consultant for services rendered.

On May 16, 2014, the Company granted a total of 250,000 stock options to a consultant. The stock options are exercisable at the exercise price of \$0.143 per share for a period of five years from the date of grant. 62,500 stock options vested upon the date of grant, 62,500 stock options vest on June 30, 2014, 62,500 stock options vest on September 30, 2014 and 62,500 stock options vest on December 31, 2014.

On May 21, 2014, the Company granted a total of 6,000,000 stock options Steven A. Nickolas and Richard A. Wright (3,000,000 stock options to each). The stock options are exercisable at the exercise price of \$0.1455 per share for a period of five years from the date of grant. 3,000,000 stock options vested upon the date of grant and the 3,000,000 stock options will vest on November 21, 2014.

On June 2, 2014, the Company issued 100,000 restricted common shares to consultant for services rendered.

On June 6, 2014, the Company issued 1,000,000 restricted common shares to consultant for services rendered.

On June 11, 2014, the Company issued 250,000 restricted common shares to consultant for services rendered.

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**THE ALKALINE WATER COMPANY, INC.**  
**(FORMERLY GLOBAL LINES, INC.)**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED BALANCE SHEETS**  
**(unaudited)**

|  | June 30, 2014<br>(Unaudited) | March 31, 2014 |
|--|------------------------------|----------------|
| <b>ASSETS</b>                                |                              |                |
| Current assets:                              |                              |                |
| Cash   | \$ 620,031                   | \$ 2,665       |
| Accounts receivable                          | 160,393                      | 166,404        |
| Inventory                                    | 353,829                      | 57,965         |
| Prepaid expenses and other current assets    | 4,694                        | -              |
| Deferred financing cost                      | -                            | 54,288         |
| Total current assets                         | 1,138,947                    | 281,322        |
| Fixed assets, net                            | 457,690                      | 286,986        |
| Equipment deposits - related party           | 711,500                      | -              |
| Total assets                                 | \$ 2,308,137                 | \$ 568,308     |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b> |                              |                |
| Current liabilities:                         |                              |                |
| Accounts payable                             | \$ 490,991                   | \$ 320,154     |
| Accounts payable - related party             | -                            | 18,403         |
| Accrued expenses                             | 71,537                       | 56,601         |
| Accrued interest                             | -                            | 19,829         |
| Revolving financing                          | 129,486                      | 83,348         |
| Notes payable                                | -                            | -              |
| Current portion of capital leases            | 64,578                       | -              |
| Derivative liability                         | 257,862                      | 337,988        |
| Total current liabilities                    | 1,014,454                    | 836,323        |
| Long-term liabilities:                       |                              |                |
| Capitalize leases- related party             | 308,794                      | -              |
| Total long-term liabilities                  | 308,794                      | -              |
| Total liabilities                            | 1,323,248                    | 836,323        |
| Redeemable convertible preferred stock       | -                            | 83,820         |
| Stockholders' deficit:                       |                              |                |

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|  |              |              |
|--|--------------|--------------|
| Preferred stock - \$0.001 par value, 100,000,000 shares authorized. Series A issued 20,000,000   | 20,000       | 20,000       |
| Common stock, Class A, \$0.001 par value, 1,125,000,000 shares authorized, 101,182,070 and 81,602,175 shares issued and outstanding as of June 30, 2014 and March 31, 2014, respectively | 101,182      | 81,602       |
| Additional paid in capital   | 7,813,817    | 4,059,464    |
| Deficit accumulated during development stage   | (6,950,110)  | (4,512,901)  |
| Total stockholders' deficit  | \$ 984,889   | \$ (351,835) |
| Total liabilities and stockholders' deficit  | \$ 2,308,137 | \$ 568,308   |

See Accompanying Notes to Condensed Consolidated Financial Statements.

**THE ALKALINE WATER COMPANY INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**FORMERLY GLOBAL LINES INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

|  | For the Three<br>Months Ended<br>June 30, 2014 | For the Three<br>Months Ended<br>June 30, 2013 | Inception<br>(June 19, 2012)<br>to June 30, 2014 |
|--|--|--|--|
| Revenue  | \$ 572,049                                     | \$ 32,522                                      | \$ 1,139,858                                     |
| Cost of goods sold   | 406,125  | 18,057   | 826,002  |
| Gross profit   | 165,924  | 14,465   | 313,856  |
| Operating expenses:  |  |  |  |
| Sales and marketing expenses                                 | 226,780  | 84,193   | 779,090  |
| General and administrative                                   | 2,138,753                                      | 67,509   | 6,081,134  |
| General and administrative - related party                   | -  | 39,846   | 167,021  |
| Depreciation expense   | 16,534   | 1,849  | 60,755   |
| Total operating expenses                                     | 2,382,067                                      | 193,397  | 7,088,000  |
| Other income (expenses):                                     |  |  |  |
| Interest expense   | (2,524)  | (3,555)  | (14,896)   |
| Interest expense on redeemable preferred stock               | (40,382)                                       | -  | (508,637)  |
| Fees paid on credit line                                     | (7,057)  | -  | (15,660)   |
| Placement agent fee to acquired credit line                  | -  | -  | (10,000)   |
| Amortization of debt discount                                | (414,370)                                      | -  | (521,902)  |
| Other expenses   | (11)   | -  | (6,117)  |
| Other income - related party                                 | -  | -  | 40,029   |
| Loss on sales leaseback                                      | (20,773)                                       | -  | (20,773)   |
| Change in derivative liability                               | 264,051  | -  | 881,990  |
| Total other expense  | (221,066)                                      | (3,555)  | (175,966)  |
| Net loss   | \$ (2,437,209)                                 | \$ (182,487)                                   | \$ (6,950,110)                                   |
| Weighted average number of common shares outstanding - basic | 94,019,973                                     | 78,156,409                                     |  |
| Net loss per share - basic                                   | \$ (0.03)                                      | \$ (0.00)                                      |  |

See Accompanying Notes to Condensed Consolidated Financial Statements.

**THE ALKALINE WATER COMPANY INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**FORMERLY GLOBAL LINES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

|   | For the Three<br>Months Ended<br>June 30, 2014 | For the Three<br>Months Ended<br>June 30, 2013 | Inception<br>(June 19, 2012)<br>to June 30, 2014 |
|---|--|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                   |  |  |  |
| Net loss  | \$ (2,437,209)                                 | \$ (182,487)                                   | \$ (6,950,110)                                   |
| Adjustments to reconcile net income to net cash used in operating activities: |  |  |  |
| Bad debt expense  | -  | -  | 10,000   |
| Depreciation expense  | 16,534   | 1,849  | 60,755   |
| Interest expense converted to common stock                                    | -  | -  | 3,555  |
| Shares issued for services  | 1,399,127                                      | -  | 4,051,418  |
| Amortization of debt discount   | 414,370  | -  | 521,902  |
| Initial discount on Redeemable preferred stock                                | -  | -  | 455,926  |
| Change in derivative liabilities  | (264,051)                                      | -  | (881,990)  |
| Changes in operating assets and liabilities:                                  |  |  |  |
| Accounts receivable   | 6,011  | (9,435)  | (170,393)  |
| Accounts receivable - related party   | -  | -  | -  |
| Inventory   | (295,864)                                      | (21,591)                                       | (353,829)  |
| Prepaid expenses and other current assets                                     | (4,694)  | -  | (4,694)  |
| Accounts payable  | 170,837  | 19,221   | 491,482  |
| Accounts payable - related party  | (18,403)                                       | -  | (490)  |
| Accrued expenses  | 14,936   | -  | 71,537   |
| Accrued interest  | (19,829)                                       | 3,555  | 1,315  |
| Net cash used in operating activities   | (1,018,235)                                    | (188,888)                                      | (2,693,616)                                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                   |  |  |  |
| Purchase of fixed assets  | (17,435)                                       | (1,019)  | (333,642)  |
| Proceeds from sale lease back   | 208,773  | -  | 208,773  |
| Equipment deposits - related party  | (711,500)                                      | (90,000)                                       | (726,500)  |
| Net cash used in investing activities   | (520,162)                                      | (91,019)                                       | (851,369)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                   |  |  |  |
| Proceeds from notes payable   | -  | 75,000   | 150,000  |
| Proceeds from revolving financing   | 46,138   | -  | 129,486  |
| Proceeds from sale of common stock, net                                       | 2,361,999                                      | 525,000  | 3,461,999  |
| Repayment of capital lease  | (5,204)  | -  | (5,204)  |
| Repayment of redeemable preferred shares                                      | (247,170)                                      | -  | (247,170)  |
| Proceeds from sale of mandatory redeemable preferred stock, net               | -  | -  | 422,000  |
| Shareholder contribution  | -  | -  | 264,575  |
| Shareholder distribution  | -  | -  | (10,670)   |

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|   |            |            |            |
|---|------------|------------|------------|
| Net cash provided by financing activities | 2,155,763  | 600,000    | 4,165,016  |
| NET CHANGE IN CASH                        | 617,366    | 320,093    | 620,031    |
| CASH AT BEGINNING OF PERIOD               | 2,665      | 64,607     | -          |
| CASH AT END OF PERIOD                     | \$ 620,031 | \$ 384,700 | \$ 620,031 |

SUPPLEMENTAL INFORMATION:

|                   |    |   |    |   |
|-------------------|----|---|----|---|
| Interest paid     | \$ | - | \$ | - |
| Income taxes paid | \$ | - | \$ | - |

NON-CASH INVESTING AND FINANCING  
ACTIVITIES:

|  |    |         |    |         |
|--|----|---------|----|---------|
| Debt converted to common stock                           | \$ | -       | \$ | 229,870 |
| Derivative liability on redeemable preferred stock       |    | -       |    |         |
| Preferred stock conversion to common stock               |    | 252,830 |    |         |
| Deferred discount on conversion of preferred stock       |    | 56,098  |    |         |
| Fair value of derivate liability at issuance of Warrants |    | 240,023 |    |         |

See Accompanying Notes to Condensed Consolidated Financial Statements.

**THE ALKALINE WATER COMPANY INC.  
(FORMERLY GLOBAL LINES INC.)  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of presentation

The interim consolidated financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in U.S. dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these condensed interim consolidated financial statements be read in conjunction with the financial statements of the Company for the period of inception (June 19, 2012) to June 30, 2014 and notes thereto included in the Company's Annual Report on Form 10-K dated March 31, 2014. The Company follows the same accounting policies in the preparation of interim reports. Results of operations for the interim period are not indicative of annual results.

Development Stage Company

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles related to development stage companies. A development-stage company is one in which planned principal operations have not commenced or if its operations have commenced, there has been no significant revenues therefrom.

Principles of consolidation

For the period from June 19, 2012 to June 30, 2014, the consolidated financial statements include the accounts of Alkaline Water Corp. (an Arizona Corporation) and Alkaline 88 LLC (formerly Alkaline 84, LLC) (an Arizona Limited Liability Company). For the period from April 1, 2013 to June 30, 2013 and April 1, 2014 to June 30, 2014, the consolidated financial statements include the accounts of The Alkaline Water Company Inc. (a Nevada Corporation), Alkaline Water Corp. (an Arizona Corporation) and Alkaline 84, LLC (an Arizona Limited Liability Company).

All significant intercompany balances and transactions have been eliminated. The Alkaline Water Company Inc. (a Nevada Corporation), Alkaline Water Corp. (an Arizona Corporation) and Alkaline 88, LLC (an Arizona Limited Liability Company) will be collectively referred herein to as the Company. Any reference herein to The Alkaline Water Company Inc., the Company, we, our or us is intended to mean The Alkaline Water Company Inc., including the subsidiaries indicated above, unless otherwise indicated.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less to be considered cash equivalents. The carrying value of these investments approximates fair value. We had \$620,031 and \$384,700 in cash and cash equivalents at June 30, 2014 and 2013, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

The Company generally does not require collateral, and the majority of its trade receivables are unsecured. The carrying amount for accounts receivable approximates fair value. Accounts receivable consisted of the following as of June 30, 2014 and March 31, 2014:

|                                       | <b><u>June 30</u></b> | <b><u>March 31</u></b> |
|---------------------------------------|-----------------------|------------------------|
|                                       | <b><u>2014</u></b>    | <b><u>2014</u></b>     |
| Trade receivables                     | \$ 169,361            | \$ 176,404             |
| Less: Allowance for doubtful accounts | (8,968)               | (10,000)               |
| Net accounts receivable               | \$ 160,393            | \$ 166,404             |

Accounts receivable are periodically evaluated for collectability based on past credit history with clients. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risk in the account balance and current economic conditions.

Inventory

Inventory represents packaging items, empty bottles, finished goods and other items valued at the lower of cost or market with cost determined using the weight average method which approximates first-in first-out method, and with market defined as the lower of replacement cost or realizable value. As of June 30, 2014 and March 31 2014, inventory consisted of the following:

|                 | <b><u>June 30</u></b> | <b><u>March 31</u></b> |
|-----------------|-----------------------|------------------------|
|                 | <b><u>2014</u></b>    | <b><u>2014</u></b>     |
| Raw materials   | \$ 246,557            | \$ 24,022              |
| Finished goods  | 107,272               | 33,943                 |
| Total inventory | \$ 353,829            | \$ 57,965              |

Property and equipment

The Company records all property and equipment at cost less accumulated depreciation. Improvements are capitalized while repairs and maintenance costs are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful life of the assets or the lease term, whichever is shorter. Depreciation periods are as follows for the relevant fixed assets:

|           |         |
|-----------|---------|
| Equipment | 5 years |
|-----------|---------|





Stock-based Compensation

The Company accounts for stock-based compensation to employees in accordance with Accounting Standard Codification (ASC) 718. Stock-based compensation to employees is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite employee service period. The Company accounts for stock-based compensation to other than employees in accordance with ASC 505-50. Equity instruments issued to other than employees are valued at the earlier of a commitment date or upon completion of the services, based on the fair value of the equity instruments and is recognized as expense over the service period. The Company estimates the fair value of stock-based payments using the Black-Scholes option-pricing model for common stock options and warrants and the closing price of the Company's common stock for common share issuances.

Revenue recognition

We recognize revenue when all of the following conditions are satisfied: (1) there is persuasive evidence of an arrangement; (2) the product or service has been provided to the customer; (3) the amount to be paid by the customer is fixed or determinable; and (4) the collection of such amount is probable.

The Company records revenue when it is realizable and earned upon shipment of the finished products. We do not accept returns due to the nature of the product. However, we will provide credit to our customers for damaged goods.

Fair Value Measurements

The valuation of our embedded derivatives and warrant derivatives are determined primarily by the multinomial distribution (Lattice) model. An embedded derivative is a derivative instrument that is embedded within another contract, which under the convertible note (the host contract) includes the right to convert the note by the holder, certain default redemption right premiums and a change of control premium (payable in cash if a fundamental change occurs). In accordance with Accounting Standards Codification ("ASC") 815 *Accounting for Derivative Instruments and Hedging Activities*, as amended, these embedded derivatives are marked-to-market each reporting period, with a corresponding non-cash gain or loss charged to the current period. A warrant derivative liability is also determined in accordance with ASC 815. Based on ASC 815, warrants which are determined to be classified as derivative liabilities are marked-to-market each reporting period, with a corresponding non-cash gain or loss charged to the current period. The practical effect of this has been that when our stock price increases so does our derivative liability resulting in a non-cash loss charge that reduces our earnings and earnings per share. When our stock price declines, we record a non-cash gain, increasing our earnings and earnings per share. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, there exists a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. To determine the fair value of our embedded derivatives, management evaluates assumptions regarding the probability of certain future events. Other factors used to determine fair value include our period end stock price, historical stock volatility, risk free interest rate and derivative term. The fair value recorded for the derivative liability varies from period to period. This variability may result in the actual

derivative liability for a period either above or below the estimates recorded on our consolidated financial statements, resulting in significant fluctuations in other income (expense) because of the corresponding non-cash gain or loss recorded.

Concentration

The Company has 2 major customers that together account for 54% (33% and 21%, respectively) of accounts receivable at June 30, 2014, and 4 customers that together account for 54% (16%, 13%, 13% and 12%, respectively) of the total revenues earned for the period ended June 30, 2014.

The Company has 3 vendors that accounted for 62% (23%, 20%, and 19%, respectively) of purchases for the period ended June 30, 2014.

Basic and Diluted Loss Per Share

Basic and diluted earnings or loss per share ( EPS ) amounts in the consolidated financial statements are computed in accordance Accounting Standard Codification (ASC) 260 10 *Earnings per Share* , which establishes the requirements for presenting EPS. Basic EPS is based on the weighted average number of common shares outstanding. Diluted EPS is based on the weighted average number of common shares outstanding and dilutive common stock equivalents. Basic EPS is computed by dividing net income or loss available to common stockholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Potentially dilutive securities were excluded from the calculation of diluted loss per share, because their effect would be anti-dilutive.

Reclassification

Certain accounts in the prior period were reclassified to conform to the current period financial statements presentation.

Recent pronouncements

The Company has evaluated all the recent accounting pronouncements through June 2014 and believes that none of them will have a material effect on our financial statements.

**NOTE 2 GOING CONCERN**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the recoverability and/or acquisition and sale of assets and the satisfaction of liabilities in the normal course of business. Since its inception, the Company has been engaged substantially in financing activities, developing its business plan and building its initial customer and distribution base for its products. As a result, the Company incurred accumulated net losses from Inception (June 19, 2012) through the period ended June 30, 2014 of \$(6,950,110). In addition, the Company's development activities since inception have been financially sustained through debt and equity financing.

The ability of the Company to continue as a going concern is dependent upon its ability to raise additional capital from the sale of common stock and, ultimately, the achievement of significant operating revenues. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

**NOTE 3 PROPERTY AND EQUIPMENT**

Fixed assets consisted of the following at:

|                         | <u>June</u><br><u>30, 2014</u> | <u>March</u><br><u>31, 2014</u> |
|-------------------------|--------------------------------|---------------------------------|
| Machinery and Equipment | \$ 72,137                      | \$ 273,597                      |

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|                                |            |            |
|--------------------------------|------------|------------|
| Machinery under Capital Lease  | 378,576    |            |
| Office Equipment               | 54,612     | 53,631     |
| Leasehold Improvements         | 13,120     | 3,979      |
| Less: Accumulated Depreciation | (60,755)   | (44,221)   |
| Fixed Assets, net              | \$ 457,690 | \$ 286,986 |

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Depreciation expense for the periods ended June 30, 2014 and 2013 was \$16,534 and \$1,849, respectively.

#### **NOTE 4 EQUIPMENT DEPOSITS RELATED PARTY**

On February 27, 2013, we paid a \$15,000 deposit on equipment that we purchased for approximately \$208,773. The equipment was manufactured by and purchased under an exclusive manufacturing contract from Water Engineering Solutions, LLC, an entity that is controlled and majority owned by Steven P. Nickolas and Richard A. Wright, for the production of our alkaline water.

On May 1, 2014 the Company paid a \$690,000 deposit on equipment and on June 27, 2014 the Company paid a \$21,500 deposit on equipment. As of June 30, 2014, the total amount of deposits for equipment is \$711,500. The equipment will be manufactured by and under an exclusive manufacturing contract from Water Engineering Solutions, LLC, an entity that is controlled and majority owned by Steven P. Nickolas and Richard A. Wright, for the production of our alkaline water.

#### **NOTE 5 REVOLVING FINANCING**

On February 20, 2014, The Alkaline Water Company Inc., and subsidiaries, Alkaline 88, LLC and Alkaline Water Corp., entered into a revolving accounts receivable funding agreement with Gibraltar Business Capital, LLC ( Gibraltar ). Under the agreement, from time to time, the Company agreed to tender to Gibraltar all of our accounts (which is defined as our rights to payment whether or not earned by performance, (i) for property that has been or is to be sold, leased, licensed, assigned or otherwise disposed of, or (ii) for services rendered or to be rendered, or (iii) as otherwise defined in the Uniform Commercial Code of the State of Illinois). Gibraltar will have the right, but will not be obligated, to purchase such accounts tendered in its sole discretion. If Gibraltar purchases such accounts, Gibraltar will make cash advances to us as the purchase price for the purchased accounts.

The Company assumed full risk of non-payment and unconditionally guaranteed the full and prompt payment of the full face amount of all purchased accounts. The Company also agreed to direct all parties obligated to pay the accounts to send all payments for all accounts directly to Gibraltar. All collections from accounts will be applied to our indebtedness, which is defined as the amount owed by us to Gibraltar from time to time, i.e., all cash advances, plus all charges, plus all other amounts owing from us to Gibraltar pursuant to the agreement, less all collections retained by Gibraltar from either purchased accounts or from us which are applied to indebtedness, unless Gibraltar elects to hold any such collections to establish reserves to secure payment of any purchased accounts.

In consideration of Gibraltar's purchase of the accounts, the Company agreed to pay Gibraltar interest on the indebtedness outstanding at the rate of 8% per annum plus the prime rate in effect at the end of each month with the prime rate for these purposes never being less than 3.25% per annum, calculated on a 360-day year and payable monthly. In addition, the Company agreed to pay to Gibraltar a monthly collateral/management fee in the amount of 0.5% calculated on the average daily borrowing amount for the given month and an unused line fee of 0.25% monthly based on the difference between the actual line of credit and the average daily borrowing amount for the given month. The Company also agreed to pay to Gibraltar upon execution of the agreement and as of the commencement of each renewal term, a closing cost of 1% of the initial indebtedness in addition to the amount of any other credit accommodations granted from Gibraltar, which amount will be deducted from the first cash advances.

The initial indebtedness is \$500,000. The Company may request an increase to the initial indebtedness in \$500,000 increments up to \$5,000,000, subject the Company's financial performance and/or projections are satisfactory to Gibraltar, and absent an event of default. The Company also granted to Gibraltar a security interest in all of our presently-owned and hereafter-acquired personal and fixture property, wherever located. The agreement will continue until the first to occur of (i) demand by Gibraltar; or (ii) 24 months from the first day of the month following the date that the first purchased account is purchased and will be automatically renewed for successive periods of 12 months thereafter unless, at least 30 days prior to the end of the term, we give Gibraltar notice of our intention to terminate the agreement. In addition, we will be able to exit the agreement at any time for a fee of 2% of the line of credit in place at the time of repayment. On June 30, 2014 the amount borrowed on this facility was \$129,486.

#### **NOTE 6 DERIVATIVE LIABILITY**

On November 7, 2013, we sold to certain institutional investors 10% Series B Convertible Preferred Shares ( Series B Preferred Stock ) which are subject to mandatory redemption and include down-round provisions that reduce the exercise price of a warrant and convertible instrument. As required by ASC 815 Derivatives and Hedging , if the Company either issues equity shares for a price that is lower than the exercise price of those instruments or issues new warrants or convertible instruments that have a lower exercise price, the investors will be entitled to down-round protection. The Company evaluated whether its warrants and convertible debt instruments contain provisions that protect holders from declines in its stock price or otherwise could result in modification of either the exercise price or the shares to be issued under the respective warrant agreements. The Company determined that a portion of its outstanding warrants and conversion instruments contained such provisions thereby concluding they were not indexed to the Company's own stock and therefore a derivative instrument.

Between April 16 and April 24, 2014, the Company redeemed 247 shares of the 10% Series B Preferred Stock for \$247,171 plus accrued interest of \$46,456 and \$10,212 penalty related to the delayed registration. The effect of this redemption resulted in a reduction of \$56,098 derivative liability.

On May 1, 2014, the Company completed the offering and sale of an aggregate of 17,333,329 shares of our common stock and warrants to purchase an aggregate of 8,666,665 shares of our common stock, for aggregate gross proceeds of \$2,599,999. Each share of common stock we sold in the offering was accompanied by a warrant to purchase one-half of a share of common stock at an exercise price of \$0.15 per share for a period of five years from the date of issuance. Each share of common stock, together with each warrant was sold at a price of \$0.15. The warrants include down-round provisions that reduce the exercise price of a warrant and convertible instrument. As required by ASC 815 Derivatives and Hedging , if the Company either issues equity shares for a price that is lower than the exercise price of those instruments or issues new warrants or convertible instruments that have a lower exercise price, the investors will be entitled to down-round protection. The Company evaluated whether its warrants and convertible debt instruments contain provisions that protect holders from declines in its stock price or otherwise could result in modification of either the exercise price or the shares to be issued under the respective warrant agreements. The Company determined that a portion of its outstanding warrants and conversion instruments contained such provisions thereby concluding they were not indexed to the Company's own stock and therefore a derivative instrument.

Pursuant to the engagement agreement dated March 12, 2014 with H.C. Wainwright & Co., LLC ( Wainwright ), Wainwright agreed to act as our exclusive placement agent in connection with the offering. Pursuant to the engagement agreement, the Company, we issued warrants to purchase an aggregate of 5.5% of the aggregate number of shares of our common stock sold in the offering, or 953,333, to Wainwright and its designees. These warrants have an exercise price of \$0.1875 per share and expire on April 16, 2019. The warrants include down-round provisions that reduce the exercise price of a warrant and convertible instrument. As required by ASC 815 Derivatives and Hedging , if the Company either issues equity shares for a price that is lower than the exercise price of those instruments or issues new warrants or convertible instruments that have a lower exercise price, the investors will be entitled to down-round protection. The Company evaluated whether its warrants and convertible debt instruments contain provisions that protect holders from declines in its stock price or otherwise could result in modification of either the

exercise price or the shares to be issued under the respective warrant agreements. The Company determined that a portion of its outstanding warrants and conversion instruments contained such provisions thereby concluding they were not indexed to the Company's own stock and therefore a derivative instrument.

The range of significant assumptions which the Company used to measure the fair value of warrant liabilities (a level 3 input) at April 24, 2014 is as follows:

|                 | <b>Conversion feature</b> |             |
|-----------------|---------------------------|-------------|
| Stock price     | \$                        | 0.3275      |
| Term (Years)    |                           | Less than 1 |
| Volatility      |                           | 331%        |
| Exercise prices | \$                        | 0.43        |
| Dividend yield  |                           | 0%          |

The range of significant assumptions which the Company used to measure the fair value of warrant liabilities (a level 3 input) at May 1, 2014 is as follows:

|                 | <b>Issuance Warrants</b> |      | <b>Placement agent Warrants</b> |        |
|-----------------|--------------------------|------|---------------------------------|--------|
| Stock price     | \$                       | 0.15 | \$                              | 0.15   |
| Term (Years)    |                          | 5    |                                 | 5      |
| Volatility      |                          | 306% |                                 | 306%   |
| Exercise prices | \$                       | 0.15 | \$                              | 0.1875 |
| Dividend yield  |                          | 0%   |                                 | 0%     |

The range of significant assumptions which the Company used to measure the fair value of warrant liabilities (a level 3 input) at June 30, 2014 is as follows:

|                 | <b>Warrants (including placement agent)</b> |              |
|-----------------|---|--------------|
| Stock price     | \$  | 0.1282       |
| Term (Years)    |   | 4 to 5       |
| Volatility      |   | 282%         |
| Exercise prices | \$  | 0.55 to 0.15 |
| Dividend yield  |   | 0%           |

The following table sets forth the fair value hierarchy within our financial assets and liabilities by level that were accounted for at fair value on a recurring basis as of May 1, 2013.

#### Fair Value Measurement at May 1, 2014

|  | <b>Carrying Value at</b> |         | <b>Fair Value Measurement at May 1, 2014</b> |                |                |         |
|--|--------------------------|---------|--|----------------|----------------|---------|
|  | <b>May 1, 2014</b>       |         | <b>Level 1</b>                               | <b>Level 2</b> | <b>Level 3</b> |         |
| <b>Liabilities:</b>                          |                          |         |  |                |                |         |
| Derivative warrant liability                 | \$                       | 216,236 | \$   | -              | \$             | 216,236 |
| Derivative placement agent warrant liability | \$                       | 23,787  | \$   | -              | \$             | 23,787  |
| Total derivative liability                   | \$                       | 240,023 | \$   | -              | \$             | 240,023 |

The following table sets forth the fair value hierarchy within our financial assets and liabilities by level that were accounted for at fair value on a recurring basis as of June 30, 2014.



## Fair Value Measurement at June 30, 2014

|   | Fair Value Measurement at June 30, 2014 |         |         |            |
|---|---|---------|---------|------------|
|   | Carrying Value at June 30, 2014         | Level 1 | Level 2 | Level 3    |
| <b>Liabilities:</b>   |   |         |         |            |
| Derivative convertible debt liability   | \$ -                                    | \$ -    | \$ -    | \$ -       |
| Derivative warrant liability convertible preferred stock                                  | \$ 80,974                               | \$ -    | \$ -    | \$ 80,974  |
| Derivative warrants liability on common stock issuance including placement agent warrants | \$ 176,888                              | \$ -    | \$ -    | \$ 176,888 |
| Total derivative liability  | \$ 257,862                              | \$ -    | \$ -    | \$ 257,862 |

The Company analyzed the warrants and conversion feature under ASC 815 to determine the derivative liability. The Company estimated the fair value of these derivatives using a multinomial distribution (Lattice) valuation model. The fair value of these warrant liabilities at June 30, 2014 was \$257,862 and the conversion feature liability was \$0. At March 31, 2014 the fair value of these warrant liabilities was \$209,320 and the conversion feature liability was \$128,668. Changes in the derivative liability for the period ended June 30, 2014 consist of:

|   | Three Months Ended June 30, 2014 |
|---|----------------------------------|
| Derivative liability at March 31, 2014        | \$ 337,998                       |
| Redemption of convertible preferred stock     | (56,098)                         |
| Warrants issued May 1, 2014                   | 216,236                          |
| Placement agent warrants May 1, 2014          | 23,787                           |
| Change in derivative liability mark to market | (264,051)                        |
| Derivative liability at June 30, 2014         | \$ 257,862                       |

**NOTE 7 PREFERRED SHARES SUBJECT TO MANDATORY REDEMPTION**Redeemable Convertible Preferred Shares

On November 7, 2013, the Company sold to certain institutional investors an aggregate of 500 shares of our 10% Series B Convertible Preferred Stock ( Series B Preferred Stock ) at a stated value of \$1,000 per share of Series B Preferred Stock for gross proceeds of \$500,000. Additionally the investors also received Series A, Series B and Series C common stock purchase warrants. The Series A warrants will be exercisable into 1,162,791 shares of our common stock at an exercise price of \$0.55 per share, the Series B warrants will be exercisable into 1,162,791 shares of our common stock at an exercise price of \$0.43 per share and the Series C warrants will be exercisable into 1,162,791 shares our common stock at an exercise price of \$0.55 per share. Holders of the Series B Preferred Stock will be entitled to receive cumulative dividends at the rate per share (as a percentage of the stated value per share) of 10% per annum, payable semi-annually. Each share of the Series B Preferred Stock will be convertible at the option of the holder thereof into that number of shares of common stock determined by dividing the stated value of such share of the Series B Preferred Stock by the conversion price of \$0.43, subject to later adjustment. On November 4, 2013, we also entered into a registration rights agreement with the investors pursuant to which we are obligated to file a registration statement to register the resale of the shares of common stock issuable upon conversion of the Series B Preferred Stock and upon exercise of the Warrants.

Between April 16, 2014 and April 22, 2014, the holders of our Series B Preferred Stock exercised their right to have the Company redeem their shares whereby we redeemed 247.17 shares of Series B Preferred Stock for \$303,839, which included accrued interest of \$46,456 and a penalty for late registration of \$10,212. The remaining portion of the

Series B Preferred Stock, or 252.83 shares, was converted into 796,566 of our common shares at a conversion price of \$0.3174 per share.

Effective November 7, 2013, the Company issued common stock purchase warrants to the placement agent and its designees as compensation for the services provided by the placement agent in connection with our private placement of 500.00028 shares Series B Preferred Stock, which was completed on November 7, 2013. The warrants issued to the placement agent and its designees are exercisable into an aggregate of 116,279 shares of our common stock with an exercise price of \$0.55 per share and have a term of exercise of five years. The Company issued the warrants to six accredited investors and paid certain transactional costs of \$78,000. For the period ended June 30, 2014 the Company recorded \$123,123 of amortization of the debt discount and deferred financing cost.

The Series B Preferred Stock included down-round provisions that reduce the exercise price of a warrant and convertible instrument as required by ASC 815 Derivatives and Hedging . The aggregate of the derivative liability at issuance was \$955,927, which was recorded as amortization of debt discount at issuance. The Company recorded a debt discount cost of \$500,000 and will amortize this cost over the mandatory redemption period.

## **NOTE 8 STOCKHOLDERS EQUITY**

### **Preferred Stock**

On October 7, 2013, the Company amended its articles of incorporation to create 100,000,000 shares of preferred stock by filing a Certificate of Amendment to Articles of Incorporation with the Secretary of State of Nevada. The preferred stock may be divided into and issued in series, with such designations, rights, qualifications, preferences, limitations and terms as fixed and determined by our board of directors.

#### Grant of Series A Preferred Stock

On October 8, 2013, the Company issued a total of 20,000,000 shares of non-convertible Series A Preferred Stock to Steven A. Nickolas and Richard A. Wright (10,000,000 shares to each), our directors and executive officers, in consideration for the past services, at a deemed value of \$0.001 per share. The company valued these shares based on the cost considering the time and average billing rate of these individuals and recorded a \$20,000 stock compensation cost for the period ended June 30, 2014.

### **Common Stock**

We are authorized to issue 1,125,000,000 shares of \$0.001 par value common stock. On May 31, 2013, we effected a 15-for-1 forward stock split of our \$0.001 par value common stock. All shares and per share amounts have been retroactively restated to reflect such split. Prior to the acquisition of Alkaline Water Corp., we had 109,500,000 shares of common stock issued and outstanding.

On May 31, 2013, we issued 43,000,000 shares in exchange for a 100% interest in Alkaline Water Corp. For accounting purposes, the acquisition of Alkaline Water Corp. by The Alkaline Water Company Inc. has been recorded as a reverse acquisition of a company and recapitalization of Alkaline Water Corp. based on the factors demonstrating that Alkaline Water Corp. represents the accounting acquirer. Consequently, after the closing of this agreement we adopted the business of Alkaline Water Corp. s wholly-owned subsidiary, Alkaline 88, LLC. As part of the acquisition, the former management of the Company agreed to cancel 75,000,000 shares of common stock.

#### Sales of Registered Shares of Common Stock

On May 1, 2014, the Company completed the offering and sale of an aggregate of 17,333,329 shares of our common stock and warrants to purchase an aggregate of 8,666,665 shares of our common stock, for aggregate gross proceeds of \$2,599,999. Each share of common stock the Company sold in the offering was accompanied by a warrant to purchase one-half of a share of common stock at an exercise price of \$0.15 per share for a period of five years from the date of issuance. Each share of common stock, together with each warrant was sold at a price of \$0.15. These securities were sold pursuant to the securities purchase agreement dated April 28, 2014 and have been registered under the Securities Act of 1933 pursuant to our registration statement on Form S-1, as amended (No. 333-192599), which was declared effective by the Securities and Exchange Commission on April 16, 2014.

Pursuant to the engagement agreement dated March 12, 2014 with H.C. Wainwright & Co., LLC ( Wainwright ), Wainwright agreed to act as our exclusive placement agent in connection with the offering. Pursuant to the engagement agreement, the Company paid Wainwright a cash placement fee equal to 8% of the aggregate gross proceeds from the offering, or \$208,000, and a non-accountable expense allowance equal to 1% of the aggregate gross

proceeds from the offering, or \$26,000. In addition, we issued warrants to purchase an aggregate of 5.5% of the aggregate number of shares of our common stock sold in the offering, or 953,333, to Wainwright and its designees. These warrants have an exercise price of \$0.1875 per share and expire on April 16, 2019.

Sale of Restricted Shares of Common Stock

On October 8, 2013, the Company issued an aggregate of 1,250,000 shares of our common stock to three investors in a non-brokered private placement, at a purchase price of \$0.40 per share for gross proceeds of \$500,000. In addition, the Company issued 1,250,000 warrants with an exercise price of \$0.50 per share and 650,000 warrants with an exercise price of \$0.60 per share to a finder in connection with this private placement. Each unit consisted of one share purchase warrant entitling the holder to purchase, for a period of two years from issuance, one share of our common stock at an exercise price of \$0.50 per share and one-half of one share purchase warrant, with each whole share purchase warrant entitling the holder to purchase, for a period of two years from issuance, one share of our common stock at an exercise price of \$0.60 per share.

On May 31, 2013, the Company sold 1,312,500 units at \$0.40 per share for total cash of \$525,000. Each unit consisted of one share of common stock, one warrant which entitles the holder to purchase one share of common stock for a period of 2 years with an exercise price of \$0.50 per share, and 1/2 warrant which entitles the holder to purchase 1/2 share of common stock for a period of 2 years with an exercise price of \$0.60 per share.

On May 31, 2013, the Company converted principal amount of \$225,000 and accrued interest of \$4,870 into 574,675 units at \$0.40 per share for total debt converted of \$229,870. Each unit consisted of one share of common stock, one warrant which entitles the holder to purchase one share of common stock for a period of 2 years with an exercise price of \$0.50 per share, and 1/2 warrant which entitles the holder to purchase 1/2 share of common stock for a period of 2 years with an exercise price of \$0.60 per share.

Common Stock Issued for Services

On May 15, 2014, the Company issued 100,000 restricted common shares to consultant for services rendered and were valued at the market value on that date of \$0.150 per share.

On June 2, 2014, the Company issued 100,000 restricted common shares to consultant for services rendered and were valued at the market value on that date of \$0.130 per share.

On June 6, 2014, the Company issued 1,000,000 restricted common shares to consultant for services rendered and were valued at the market value on that date of \$0.134 per share.

On June 11, 2014, the Company issued 250,000 restricted common shares to consultant for services rendered and were valued at the market value on that date of \$0.121 per share.

**NOTE 9 OPTIONS AND WARRANTS**

Stock Option Awards

On May 12, 2014, the Company granted a total of 820,000 stock options to employees and consultants. The stock options are exercisable at the exercise price of \$0.15 per share for a period of ten years from the date of grant. 502,500 stock options vested upon the date of grant, 116,250 stock options vest on June 30, 2014, 116,250 stock options vest on September 30, 2014 and 85,000 stock options vest on December 31, 2014.

On May 16, 2014, the Company granted a total of 250,000 stock options to a consultant. The stock options are exercisable at the exercise price of \$0.143 per share for a period of ten years from the date of grant. 62,500 stock options vested upon the date of grant, 62,500 stock options vest on June 30, 2014, 62,500 stock options vest on September 30, 2014 and 62,500 stock options vest on December 31, 2014.

On May 21, 2014, the Company granted a total of 6,000,000 stock options Steven A. Nickolas and Richard A. Wright (3,000,000 stock options to each). The stock options are exercisable at the exercise price of \$0.1455 per share for a period of ten years from the date of grant. 3,000,000 stock options vested upon the date of grant and the 3,000,000 stock options will vest on November 21, 2014.

On May 12, 2014, the Company granted a total of 1,200,000 stock options Steven A. Nickolas and Richard A. Wright (600,000 stock options to each). The stock options are exercisable at the exercise price of \$0.165 per share for a period of ten years from the date of grant. 1,200,000 stock options vested upon the date of grant.

On October 9, 2013, the Company granted a total of 6,000,000 stock options to Steven A. Nickolas and Richard A. Wright (3,000,000 stock options to each). The stock options are exercisable at the exercise price of \$0.605 per share for a period of ten years from the date of grant. The stock options vest as follows: (i) 1,000,000 upon the date of grant; and (ii) 500,000 per quarter until fully vested.

For the period ended June 30, 2014 and June 30, 2013 the Company has recognized compensation expense of \$1,206,877 and \$0, respectively, on the stock options granted that vested. The fair value of the unvested shares is \$992,348 as of June 30, 2014 with the total unrecognized compensation cost related to non-vested stock options which is expected to be recognized over a weighted-average period of approximately 1 year. The aggregate intrinsic value of these options was \$0 at June 30, 2014.

Stock option activity summary covering options is presented in the table below:

|                               | <b>Number of<br/>Shares</b> | <b>Weighted-<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted-<br/>Average<br/>Remaining<br/>Contractual<br/>Term (years)</b> |
|-------------------------------|-----------------------------|---|---|
| Outstanding at March 31, 2014 | 6,000,000                   | \$ 0.61   | 9.3   |
| Granted                       | 8,270,000                   | \$ 0.15   | 9.9   |
| Exercised                     | -                           | \$ -  | -   |
| Expired/Forfeited             | -                           | \$ -  | -   |
| Outstanding at June 30, 2014  | 14,270,000                  | \$ 0.34   | 9.8   |
| Exercisable at June 30, 2014  | 9,193,750                   | \$ 0.34   | 9.8   |

#### Warrants

The following is a summary of the status of all of our warrants as of June 30, 2014 and changes during the twelve months ended on that date:

|                                       | <b>Number<br/>of Warrants</b> | <b>Weighted-<br/>Average<br/>Exercise Price</b> |
|---------------------------------------|-------------------------------|---|
| Outstanding at March 31, 2014         | 8,310,415                     | \$ 0.53   |
| Granted                               | 9,619,998                     | 0.15  |
| Exercised                             | -                             | 0.00  |
| Cancelled                             | -                             | 0.00  |
| Outstanding at June 30, 2014          | 17,930,413                    | 0.52  |
| Warrants exercisable at June 30, 2014 | 17,378,072                    | \$ 0.52   |

The following table summarizes information about stock warrants outstanding and exercisable at June 30, 2014:

## STOCK WARRANTS OUTSTANDING AND EXERCISABLE

| Exercise Price | Number of Warrants Outstanding | Weighted-Average Remaining Contractual Life in Years |
|----------------|--------------------------------|--|
| \$ 0.1500      | 8,666,665                      | 4.8  |
| \$ 0.1875      | 953,333                        | 4.8  |
| \$ 0.4300      | 1,162,791                      | 1.1  |
| \$ 0.5000      | 3,137,175                      | 1.1  |
| \$ 0.5500      | 2,441,861                      | 3.27   |
| \$ 0.6000      | 1,568,588                      | 0.40   |

**NOTE 10 RELATED PARTY TRANSACTIONS**

On May 21, 2014, the Company granted a total of 6,000,000 stock options Steven A. Nickolas and Richard A. Wright (3,000,000 stock options to each). The stock options are exercisable at the exercise price of \$0.1455 per share for a period of ten years from the date of grant. 3,000,000 stock options vested upon the date of grant and the 3,000,000 stock options will vest on November 21, 2014.

On October 8, 2013, the Company issued a total of 20,000,000 shares of non-convertible Series A Preferred Stock to Steven A. Nickolas and Richard A. Wright (10,000,000 shares to each), our directors and executive officers, in consideration for the past services, at a deemed value of \$0.001 per share. We valued these shares based on the cost considering the time and average billing rate of these individuals and recorded a \$20,000 stock compensation cost for the period ended June 30, 2014.

On October 9, 2013, the Company granted a total of 6,000,000 stock options to Steven A. Nickolas and Richard A. Wright (3,000,000 stock options to each). The stock options are exercisable at the exercise price of \$0.605 per share for a period of ten years from the date of grant. The stock options vest as follows: (i) 1,000,000 upon the date of grant; and (ii) 500,000 per quarter until fully vested.

On August 1, 2013 the Company entered into a 3-year sub-lease agreement requiring a monthly payment of \$2,085 for office space in Scottsdale, Arizona, with a basic monthly lease increase of 8% and 7% on each anniversary date. The Company or the landlord can cancel the lease with 30 days notice. The sub-lessor is an entity owned by the Company's Chief Executive Officer and President.

As of March 31, 2014 the Company had \$0 in equipment deposits with an entity that is controlled and owned by an officer, director and shareholder of the Company. During the period ended March 31, 2014, the Company provided \$201,900 of deposits on equipment used to produce our alkaline water to an entity that is controlled and owned by an officer, director and shareholder of the Company. During the month of March 2014, these funds were returned to the Company.

During the period ended June 30, 2013, the Company had a total of \$39,846, in general and administrative expenses with related parties. Of that total for period ended June 30, 2013, \$20,000 was consulting fees to an officer, director and shareholder of the Company, \$8,346 was rent and repairs to an entity that is controlled and owned by an officer, director and shareholder of the Company and \$11,500 was professional fees to an entity that is controlled and owned by an officer, director and shareholder.

On January 17, 2014, amended on February 12, 2014 the Company entered into an equipment lease with Water Engineering Solutions LLC, an entity that is controlled and owned by an officer, director and shareholder, for specialized equipment used to make our alkaline water totaling \$190,756 and agreed to a 60 month term at \$3,864 per



month.

On April 2, 2014 the Company entered into a sale-leaseback transaction with Water Engineering Solutions LLC, an entity that is controlled and owned by an officer, director and shareholder, for specialized equipment with an original cost of \$208,773 acquired in August 2013. The Company received proceeds of \$188,000 in April 2014.

The lease terms are 60 monthly payments of \$3,812, payable 30 days after installation of the equipment and a purchase option of \$1.00. The Company recorded a loss on sales leaseback of \$20,773.

Under the terms of the exclusive manufacturing agreement entered into on April 15, 2013 between the Company and Water Engineering Solutions LLC, a related party, we paid \$690,000 on May 1 2014 and \$21,500 on June 27, 2014 for specialized equipment used in the production of our alkaline water. Water Engineering Solutions LLC is an entity that is controlled and owned by an officer, director and shareholder.

#### **NOTE 11 - SALES LEASEBACK**

On April 2, 2014 the Company entered into a sale-leaseback transaction with Water Engineering Solutions LLC, an entity that is controlled and owned by an officer, director and shareholder, for specialized equipment with an original cost of \$208,773 acquired in August 2013. Under the terms of the sale leaseback agreement, the Company received proceeds of \$188,000 in April 2014 and recorded a loss on sales leaseback of \$20,773.

#### **NOTE 12 CAPITAL LEASE**

On January 17, 2014 the Company entered into an equipment lease with Water Engineering Solutions LLC, an entity that is controlled and owned by an officer, director and shareholder, for specialized equipment used to make our alkaline water with a stated value of \$190,756 and agreed to a 60 month term at \$3,864 per month and a purchase option of \$1 which commenced on May 1, 2014.

On April 2, 2014, we entered into a capital lease agreement with Water Engineering Solutions LLC, an entity that is controlled and owned by an officer, director and shareholder, for specialized equipment used to make our alkaline water with a stated value of \$188,000, terms of 60 monthly payments of \$3,812, payable 30 days after installation of the equipment and a purchase option of \$1.00 which commenced on July 1, 2014.

#### **NOTE 13 SUBSEQUENT EVENTS**

On July 3, 2014, the Company entered into an agreement with a third-party to provide consulting services. The compensation in the agreement was \$25,000 in cash upon execution of the agreement and the issuance of 350,000 of the Company's common shares as follows: 175,000 common shares upon execution of the agreement, 70,000 common shares on or before July 15, 2014, 70,000 common shares on or before August 15, 2014 and 35,000 common shares on or before September 15, 2014.

On August 1, 2014, the Company issued 1,000,000 common shares to consultant for services rendered that were valued at the market value on that date of \$0.175 per share.

On August 7, 2014, the Company entered into an agreement with a third-party to provide consulting services. The compensation in the agreement was for 2,000,000 of the Company's common shares to be issued as follows: 500,000 common shares on the date of the execution of the agreement, 500,000 common shares on the date that is 45 days from the execution date, 500,000 common shares on the date that is 90 days from the execution date, and 500,000 common shares on the date that is 135 days from the execution date.

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## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

Our management's discussion and analysis provides a narrative about our financial performance and condition that should be read in conjunction with the audited and unaudited consolidated financial statements and related notes thereto included in this prospectus. This discussion contains forward looking statements reflecting our current expectations and estimates and assumptions about events and trends that may affect our future operating results or financial position. Our actual results and the timing of certain events could differ materially from those discussed in these forward-looking statements due to a number of factors, including, but not limited to, those set forth in the sections of this prospectus titled "Risk Factors" beginning at page 5 above and "Forward-Looking Statements" beginning at page 12 above.

### **Overview**

We were incorporated under the laws of the State of Nevada on June 6, 2011. Our business model prior to the acquisition of Alkaline Water Corp. on May 31, 2013 was to provide chauffeuring and transportation services to residents within our local market, primarily providing transportation services such as private school student transport, sightseeing trips, and elderly transportation, and offering transportation to the airport and special event such as proms and weddings. However, as we had not successfully developed our service at the time prior to the entry into the share exchange agreement with Alkaline Water Corp., and had no source of revenue from our business plan, we determined to seek out a new business opportunity to increase value for our stockholders.

On May 31 2013, we completed the acquisition of Alkaline Water Corp. pursuant to the share exchange agreement with Alkaline Water Corp. and its stockholders. As a result, Alkaline Water Corp. became our wholly-owned subsidiary. Consequently, after the closing of this agreement we adopted the business of Alkaline Water Corp.'s wholly-owned subsidiary, Alkaline 88, LLC (formerly Alkaline 84, LLC), which is the business of the production and sale of bottled alkaline water, with a specific focus on bulk bottled alkaline water.

### **Going Concern**

Our financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. We have not yet established an ongoing source of revenues sufficient to cover our operating costs and to allow us to continue as a going concern. As of June 30, 2014, we had an accumulated deficit of \$6,950,110. Our ability to continue as a going concern is dependent on our company obtaining adequate capital to fund operating losses until we become profitable. If we are unable to obtain adequate capital, we could be forced to significantly curtail or cease operations.

In its report on our financial statements for the year ended March 31, 2014, our independent registered public accounting firm included an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We will need to raise additional funds to finance continuing operations. However, there are no assurances that we will be successful in raising additional funds. Without sufficient additional financing, it would be unlikely for us to continue as a going concern.

Our ability to continue as a going concern is dependent upon our ability to successfully accomplish the plans described in this prospectus and eventually secure other sources of financing and attain profitable operations.



## Results of Operations

Our results of operations for the three months ended June 30, 2014, the three months ended June 30, 2013, the year ended March 31, 2014 and the period from inception (June 19, 2012) to March 31, 2013 are as follows:

|   | For the three<br>months ended<br>June 30, 2014 | For the three<br>months ended<br>June 30, 2013 | For the year<br>ended<br>March 31,<br>2014 | Inception<br>(June 19,<br>2012) to<br>March 31,<br>2013 |
|---|--|--|--|---|
| Revenue   | \$ 572,049                                     | \$ 32,522                                      | \$ 552,699                                 | \$ 15,110   |
| Cost of goods sold  | 406,125  | 18,057   | 411,851                                    | 8,026   |
| Gross profit  | 165,924  | 14,465   | 140,848                                    | 7,084   |
| Net loss (after operating<br>expenses and other expenses) | \$ (2,437,209)                                 | \$ (182,487)                                   | \$ (4,229,513)                             | \$ (283,388)  |

### *Revenue and Cost of Goods Sold*

We had revenue from sales of our product for the three months ended June 30, 2014 of \$572,049, as compared to \$32,522 for the three month period ended June 30, 2013. The increase in sales is due to the expanded distribution of our products to additional retailers throughout the country. Cost of goods sold is comprised of production costs, shipping and handling costs.

We had revenue from sales of our product for the year ended March 31, 2014 of \$552,699, as compared to \$15,110 for the period from inception on June 19, 2012 to March 31, 2013, generated by sales of our beverage products. Cost of goods sold is comprised of production costs, shipping and handling costs. For the year ended March 31, 2014, we had cost of goods sold of \$411,851, as compared to \$8,026 in cost of goods sold from inception on June 19, 2012 to March 31, 2013.

### *Expenses*

Our operating expenses for the three months ended June 30, 2014, the three months ended June 30, 2013, the year ended March 31, 2014 and the period from inception (June 19, 2012) to March 31, 2013 are as follows:

|   | For the three<br>months ended<br>June 30, 2014 | For the three<br>months ended<br>June 30, 2013 | For the year<br>ended<br>March 31,<br>2014 | Inception<br>(June 19,<br>2012) to<br>March 31,<br>2013 |
|---|--|--|--|---|
| Sales and marketing expenses                      | \$ 226,780                                     | \$ 84,193                                      | \$ 464,081                                 | \$ 88,229   |
| General and administrative expenses               | 2,138,753                                      | 67,509   | 3,852,773                                  | 89,608  |
| General and administrative expenses related party | -  | 39,846   | 62,092                                     | 104,929   |
| Depreciation expenses                             | 16,534   | 1,849  | 42,407                                     | 1,814   |
| Total operating expenses                          | \$ 2,382,067                                   | \$ 193,397                                     | \$ 4,421,353                               | \$ 284,580  |

During the three months ended June 30, 2014 and June 30, 2013, we had a total of \$2,138,753 and \$67,509, respectively, in general and administrative expenses. The primary factor in the increase which is included in general and administrative expense was the fair value of shares and options of \$1,399,127 and \$0 for the three months ended June 30, 2014 and 2013, respectively. Administrative expense with related parties was \$0 and \$39,846 for the three month periods ended June 30, 2014 and 2013, respectively. For these respective periods, administrative expenses with related parties consisted of \$0 and \$20,000 for consulting fees to an officer, director and stockholder of our company, \$0 and \$8,346 for rent, including repairs, to an entity that is controlled and owned by an officer, director and stockholder of our company and \$0 and \$11,500 for professional fees to an entity that is controlled and owned by an officer, director and stockholder.



During the year ended March 31, 2014, our total operating expenses were \$4,421,353, as compared to \$284,580 for the period from inception (June 19, 2012) to March 31, 2013. For the year ended March 31, 2014, the total included \$464,083 of sales and marketing expenses and \$3,852,773 of general and administrative expenses, consisting primarily of approximately \$2,225,736 of stock option compensation expense, \$426,555 in stock compensation expense and \$541,158 of professional fees. Our stock and stock option compensation expense was incurred as a part of our issuance of certain stock options and stock grants to employees and key consultants to develop our business. Although a non-cash expense, the value of such issuances had a material impact on our general and administrative expenses for the year ended March 31, 2014. For the period from inception (June 19, 2012) to March 31, 2013, (as it was prior to the acquisition of Alkaline Water Corp.) we had nominal operations and our expenditures, consisting mainly of professional fees and rent, were significantly less to support our business at that time.

During the year ended March 31, 2014, we had a total of \$62,092 in general and administrative expenses with related parties. Of the total, \$33,592 was consulting fees to an officer, director and stockholder of our company, \$12,000 was rent to an entity that is controlled and owned by an officer, director and stockholder of our company, and \$16,500 was professional fees to an entity that is controlled and owned by an officer, director and stockholder of our company.

During the period from inception on June 19, 2012 to March 31, 2013, we had a total of \$104,929 in general and administrative expenses with related parties. Of the total, \$69,732 was consulting fees to an officer, director and stockholder of our company, \$32,322 was rent to an entity that is controlled and owned by an officer, director and stockholder of our company, and \$2,875 was professional fees to an entity that is controlled and owned by an officer, director and stockholder of our company.

## Liquidity and Capital Resources

### *Working Capital*

Our working capital as of June 30, 2014, March 31, 2014 and March 31, 2013 was as follows:

|                     | June 30, 2014 | March 31, 2014 | March 31, 2013 |
|---------------------|---------------|----------------|----------------|
| Current assets      | \$ 1,138,947  | \$ 281,322     | \$ 87,290      |
| Current liabilities | 1,014,454     | 836,323        | 169,856        |
| Working capital     | \$ 124,493    | \$ (555,001)   | \$ (82,566)    |

### *Current Assets*

Current assets as of June 30, 2014 primarily relate to \$620,031 in cash, \$160,393 in accounts receivable and \$353,829 in inventory. Current assets as of March 31, 2014 and March 31, 2013 primarily relate to \$2,665 and \$64,607 in cash, \$166,404 and \$15,110 in accounts receivable and \$57,965 and \$7,573 in inventory, respectively.

### *Current Liabilities*

Current liabilities as at June 30, 2014 primarily relate \$490,991 in accounts payable and \$257,862 in derivative liability. Current liabilities at March 31, 2014 primarily relate to \$320,154 in accounts payable and \$337,988 in derivative liability. Current liabilities as at March 31, 2013 primarily relate to \$150,000 in notes payable.

**Cash Flow**

Our cash flows for the three months ended June 30, 2014 and 2013 are as follows:

|   | Three months ended<br>June 30, 2014 | Three months ended<br>June 30, 2013 |
|---|-------------------------------------|-------------------------------------|
| Net cash used in operating activities     | \$ (1,018,235)                      | \$ (188,888)                        |
| Net cash used in investing activities     | (520,162)                           | (91,019)                            |
| Net cash provided by financing activities | 2,155,763                           | 600,000                             |
| Net increase in cash and cash equivalents | \$ 617,366                          | \$ 320,093                          |

Our cash flows for the year ended March 31, 2014 and the period from inception (June 19, 2012) to March 31, 2013 are as follows:

|   | Year ended<br>March 31, 2014 | Period from<br>inception<br>(June 19, 2012) to<br>March 31, 2013 |
|---|------------------------------|--|
| Net cash used in operating activities     | \$ (1,390,980)               | \$ (284,401)   |
| Net cash used in investing activities     | (276,310)                    | (54,897)   |
| Net cash provided by financing activities | 1,605,348                    | 403,905  |
| Net increase in cash and cash equivalents | \$ (61,942)                  | \$ 64,607  |

**Operating activities**

Net cash used in operating activities was \$1,018,235 for the three months ended June 30, 2014, as compared to \$188,888 used in operating activities for the three months ended June 30, 2013. The increase in net cash used in operating activities was primarily due to net loss from operations and increase in inventory.

Net cash used in operating activities was \$1,390,980 for the year ended March 31, 2014, as compared to \$284,401 used in operating activities from period of inception (June 19, 2012) to March 31, 2013. The increase in net cash used in operating activities was primarily due to development of markets, and investment in accounts receivable and inventory.

**Investing activities**

Net cash used in investing activities was \$520,162 for the three months ended June 30, 2014, as compared to \$91,019 used in investing activities for the three months ended June 30, 2013. The increase in net cash used by investing activities was primarily from the equipment deposits to related parties.

Net cash used in investing activities was \$276,310 for the year ended March 31, 2014, as compared to \$54,897 used in investing activities from period of inception (June 19, 2012) to March 31, 2013. The increase in net cash used by investing activities was primarily from purchase of production equipment.

**Financing activities**

Net cash provided by financing activities for the three months ended June 30, 2014 was \$2,155,763, as compared to \$600,000 for the three months ended June 30, 2013. The increase of net cash provided by financing activities was mainly attributable to capital provided through sales of our common stock.

Net cash provided by financing activities for the year ended March 31, 2014 was \$1,605,348, as compared to \$403,905 from period of inception (June 19, 2012) to March 31, 2013. The increase of net cash provided by financing activities was mainly attributable to sale of common stock and redeemable preferred stock.





***August 2014 Warrant Exercise***

On August 12, 2014, we entered into an agreement with Wainwright whereby Wainwright agreed to act as our exclusive agent to facilitate the exercise of the outstanding warrants on a reasonable best efforts basis. We agreed to pay Wainwright a transaction fee equal to 10% of the aggregate gross proceeds received by us in connection with the exercise of the warrants. In addition, we agreed to reimburse Wainwright \$10,000 for its legal fees and expenses, provided that no reimbursement will be payable by us to Wainwright if the exercise of the warrants results in gross proceeds to us of less than \$500,000.

On August 20, 2014, we entered into a warrant amendment agreement with certain holders of our outstanding common stock purchase warrants, whereby we agreed to reduce the exercise price of the existing warrants to \$0.10 per share in consideration for the immediate exercise of the existing warrants by the holders and the holders were to be issued new common stock purchase warrants of our company in the form of the existing warrants to purchase up to a number of shares of our common stock equal to the number of existing warrants exercised by the holders, provided that the exercise price of the new warrants will be \$0.125 per share, subject to adjustment in the new warrants.

On August 21, 2014, pursuant to the warrant amendment agreement, we issued an aggregate of 9,829,455 shares of our common stock upon exercise of the existing warrants at an exercise price of \$0.10 per share for aggregate gross proceeds of \$982,945.50. In addition, we issued new warrants to purchase an aggregate of 9,829,455 shares of our common stock at an exercise price of \$0.125 per share for a period of five years from the date of issuance.

***October 2014 Warrant Exercise***

On October 7, 2014, we entered into a warrant amendment agreement with Neil William Rogers, whereby we agreed to reduce the exercise price of the 4,699,800 share purchase warrants held by him to \$0.10 per share in consideration for the immediate exercise of the existing warrants by Mr. Rogers and Mr. Rogers was to be issued new common stock purchase warrants of our company in the form of the existing warrants to purchase up to a number of shares of our common stock equal to the number of existing warrants exercised by Mr. Rogers, provided that the exercise price of the new warrants will be \$0.125 per share, subject to adjustment in the new warrants.

On October 7, 2014, pursuant to the warrant amendment agreement, we issued an aggregate of 4,699,800 shares of our common stock upon exercise of the existing warrants at an exercise price of \$0.10 per share for aggregate gross proceeds of \$469,980. In addition, we issued new warrants to purchase an aggregate of 4,699,800 shares of our common stock at an exercise price of \$0.125 per share for a period of two years from the date of issuance.

**Revolving Accounts Receivable Funding Agreement with Gibraltar Business Capital, LLC**

On February 20, 2014, our company, The Alkaline Water Company Inc., and our subsidiaries, Alkaline 88, LLC and Alkaline Water Corp., entered into a revolving accounts receivable funding agreement with Gibraltar Business Capital, LLC. ( **Gibraltar** ). Under the agreement, from time to time, we agreed to tender to Gibraltar all of our Accounts (which is defined as our rights to payment whether or not earned by performance, (i) for property that has been or is to be sold, leased, licensed, assigned or otherwise disposed of, or (ii) for services rendered or to be rendered, or (iii) as otherwise defined in the Uniform Commercial Code of the State of Illinois). Gibraltar will have the right, but will not be obligated, to purchase such Accounts tendered in its sole discretion. If Gibraltar purchases such Accounts, Gibraltar will make cash advances to us as the purchase price for the purchased Accounts.

We assumed full risk of non-payment and unconditionally guaranteed the full and prompt payment of the full face amount of all purchased Accounts. We also agreed to direct all parties obligated to pay the Accounts to send all payments for all Accounts directly to Gibraltar. All collections from Accounts will be applied to our Indebtedness (as defined below) unless Gibraltar elects to hold any such collections to establish reserves to secure payment of any purchased Accounts.

In consideration of Gibraltar's purchase of the Accounts, we agreed to pay Gibraltar interest on the Indebtedness (which is defined as the amount owed by us to Gibraltar from time to time, i.e., all cash advances, plus all charges, plus all other amounts owing from us to Gibraltar pursuant to the agreement, less all collections retained by Gibraltar from either purchased Accounts or from us which are applied to Indebtedness) outstanding at the rate of 8% per annum plus the prime rate in effect at the end of each month with the prime rate for these purposes never being less than 3.25% per annum, calculated on a 360-day year and payable monthly. In addition, we agreed to pay to Gibraltar a monthly collateral/management fee in the amount of 0.5% calculated on the average daily borrowing amount for the given month and an unused line fee of 0.25% monthly based on the difference between the actual line of credit and the average daily borrowing amount for the given month. We also agreed to pay to Gibraltar upon execution of the agreement and as of the commencement of each renewal term, a closing cost of 1% of the Initial Indebtedness in addition to the amount of any other credit accommodations granted from Gibraltar to us, which amount will be deducted from the first cash advances.

The Initial Indebtedness is \$500,000. We may request an increase to the Initial Indebtedness in \$500,000 increments up to \$5,000,000, subject to our financial performance and/or projections are satisfactory to Gibraltar, and absent an event of default.

We also granted to Gibraltar a security interest in all of our presently-owned and hereafter-acquired personal and fixture property, wherever located.

The agreement will continue until the first to occur of (i) demand by Gibraltar; or (ii) 24 months from the first day of the month following the date that the first purchased Account is purchased and will be automatically renewed for successive periods of 12 months thereafter unless, at least 30 days prior to the end of the term, we give Gibraltar notice of our intention to terminate the agreement. In addition, we will be able to exit the agreement at any time for a fee of 2% of the line of credit in place at the time of prepayment.

On February 20, 2014, Gibraltar made the first cash advance in the amount of \$32,645.48. On June 30, 2014, the amount borrowed on this facility was \$129,486.

### **Cash Requirements**

We believe that our cash flows from operations will not meet our present and near-term cash needs and thus we will require additional cash resources, including the sale of equity or debt securities, to meet our planned capital expenditures and working capital requirements for the next 12 months. We estimate that our capital needs over the next 12 months will be \$1,100,000 to \$4,100,000, depending on how we can continue to expand the distribution of our products across the country. We will require additional cash resources to purchase equipment, increase the production of our products, implement our strategy to expand our sales and marketing initiatives and increase brand awareness. If our own financial resources and then current cash-flows from operations are insufficient to satisfy our capital requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity securities will result in dilution to our stockholders. The incurrence of indebtedness will result in increased debt service obligations and could require us to agree to operating and financial covenants that could restrict our operations or modify our plans to grow the business. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, will limit our ability to expand our business operations and could harm our overall business prospects.

### **Off-Balance Sheet Arrangements**

We did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

### **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

In connection with the closing of the share exchange agreement with Alkaline Water Corp. on May 31, 2013, we changed our independent registered public accounting firm from Sadler, Gibb & Associates to Seale and Beers, CPAs. The appointment of Seale and Beers, CPAs was approved by our board of directors.

Sadler, Gibb & Associates report on our financial statements for the fiscal year ended August 31, 2012 and for the period from inception on June 6, 2011 through August 31, 2011 did not contain an adverse opinion or disclaimer of opinion, or qualification or modification as to uncertainty, audit scope, or accounting principles, except that such report on our financial statements contained an explanatory paragraph in respect to the substantial doubt about our ability to continue as a going concern.



During the fiscal year ended August 31, 2012 and the period from inception on June 6, 2011 through August 31, 2011 and in the subsequent interim period through the date of resignation, there were no disagreements, resolved or not, with Sadler, Gibb & Associates on any matter of accounting principles or practices, financial statement disclosure, or audit scope and procedures, which disagreement(s), if not resolved to the satisfaction of Sadler, Gibb & Associates, would have caused Sadler, Gibb & Associates to make reference to the subject matter of the disagreement(s) in connection with its report.

During the fiscal year ended August 31, 2012 and the period from inception on June 6, 2011 through August 31, 2011 and in the subsequent interim period through the date of resignation, there were no reportable events as described in Item 304(a)(1)(v) of Regulation S-K.

During the fiscal year ended August 31, 2012 and the period from inception on June 6, 2011 through August 31, 2011 and in the subsequent interim period through the date of appointment, we have not consulted with Seale and Beers, CPAs regarding either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, nor has Seale and Beers, CPAs provided to us a written report or oral advice that Seale and Beers, CPAs concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue. In addition, during such periods, we have not consulted with Seale and Beers, CPAs regarding any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) and the related instructions) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

### **Directors and Executive Officers**

#### **Directors and Executive Officers**

All directors of our company hold office until the next annual meeting of our stockholders or until their successors have been elected and qualified, or until their death, resignation or removal. The executive officers of our company are appointed by our board of directors and hold office until their death, resignation or removal from office.

Our directors and executive officers, their ages, positions held, and duration of such are as follows:

| Name               | Position Held with Our Company                            | Age | Date First Elected or Appointed |
|--------------------|---|-----|---------------------------------|
| Steven P. Nickolas | Chairman, President, Chief Executive Officer and Director | 58  | May 31, 2013                    |
| Richard A. Wright  | Vice-President, Secretary, Treasurer and Director         | 55  | May 31, 2013                    |

#### **Business Experience**

The following is a brief account of the education and business experience of directors and executive officers during at least the past five years, indicating their principal occupation during the period, and the name and principal business of the organization by which they were employed.

##### ***Steven P. Nickolas***

In 2008, Mr. Nickolas was appointed President of Nutripure Beverages, Inc., a small cap pink sheet company that intended to launch a beverage product that was developed by him, on a national basis. The company was unsuccessful in raising the necessary capital, at which time Mr. Nickolas resigned his position after three months with the company and proceeded to investigate other financial opportunities. From May 2008 to July 2010, Mr. Nickolas was a founder of and acted as the president, secretary, treasurer and a director of Northsight Capital, Inc., a publicly-traded financial holding company (OTCBB: NCAP), which was sold in order to support the ongoing research and development of various beverage products. During this time Mr. Nickolas founded Jayger International, LTD, which involved the sale

of a variety of healthy products in Japan and other Asian countries. Mr. Nickolas also engaged in a number of consulting activities with both large and small companies and continued to remain active in the food and beverage industry. During this same period of time Mr. Nickolas founded The Healthy Food Project, Inc., a 501(c)(3) non-profit organization dedicated to promoting the development of healthy foods and beverages for the public use. Over the past two years Mr. Nickolas has focused his attention on the commercial development of the water electrolysis process utilized in Alkaline 88, LLC.

Effective as of May 31, 2013, Mr. Nickolas was appointed as chairman, president, chief executive officer, secretary and a director of our company. On August 7, 2013, our board of directors replaced Mr. Nickolas as secretary of our company with Richard A. Wright.

Mr. Nickolas graduated from Claremont Men's College (Now Claremont-Mckenna College) in 1977 with a Bachelor of Science Degree in Economics and Political Philosophy. He did post-graduate studies at Cal Poly Pomona in Psychology in 1978. He also attended Claremont Graduate School in 1978 in Government studies.

We believe that Mr. Nickolas is qualified to serve on our board of directors because of his knowledge of our current operations in addition to his education and business experiences described above.

### ***Richard A. Wright***

Mr. Wright is a Certified Public Accountant. He graduated Magnum Cum Laude in 1978 from Mount Union University in Alliance, Ohio. He has done graduate level MBA courses at Case Western Reserve College in Cleveland, Ohio.

In 2008, Mr. Wright became the Chief Financial Officer for PCT International. PCT is a leading worldwide developer and manufacturer of last mile and access network solutions for broadband communication networks. PCT focuses on innovative and cost-effective solutions that allow service providers to improve system integrity and expand service offerings. It has manufacturing plants in USA and China and sells their products in 42 countries.

In 2010 (through present), Mr. Wright began his own tax and accounting CPA firm in Scottsdale, Arizona, Wright Tax Solutions PLC. Mr Wright also began Wright Investment Group, LLC, a small equity participation firm that helps provide seed capital through micro loans and financial expertise to start-up enterprises.

Effective as of May 31, 2013, Mr. Wright was appointed as vice-president, treasurer and a director of our company. On August 7, 2013, our board of directors appointed Mr. Wright as secretary of our company.

We believe that Mr. Wright is qualified to serve on our board of directors because of his knowledge of our current operations in addition to his education and business experiences described above.

### **Family Relationships**

There are no family relationships between any director or executive officer.

### **Involvement in Certain Legal Proceedings**

None of our directors and executive officers has been involved in any of the following events during the past ten years:

- (a) any petition under the federal bankruptcy laws or any state insolvency laws filed by or against, or an appointment of a receiver, fiscal agent or similar officer by a court for the business or property of such person, or any partnership in which such person was a general partner at or within two years before the time of such filing, or any corporation or business association of which such person was an executive officer at or within two years before the time of such filing;
- (b) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offences);





- (c) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining such person from, or otherwise limiting, the following activities: (i) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity; engaging in any type of business practice; or (ii) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;
- (d) being the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (c)(i) above, or to be associated with persons engaged in any such activity;
- (e) being found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission to have violated a federal or state securities or commodities law, and the judgment in such civil action or finding by the Securities and Exchange Commission has not been reversed, suspended, or vacated;
- (f) Being found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;
- (g) being 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: (i) any federal or state securities or commodities law or regulation; or (ii) 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 (iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- (h) being 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 Securities Exchange Act of 1934), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

### **Executive Compensation**

#### **Summary Compensation**

The particulars of compensation paid to the following persons:

- (a) all individuals serving as our principal executive officer during the year ended March 31, 2014;
- (b) each of our two most highly compensated executive officers who were serving as executive officers at the end of the year ended March 31, 2014; and
- (c) up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at March 31, 2014, who we will collectively refer to as the named

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executive officers, for all services rendered in all capacities to our company and subsidiaries for the period from inception on June 19, 2012 through March 31, 2013 and the year ended March 31, 2014 are set out in the following summary compensation table:

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**Summary Compensation Table** Period from Inception on June 19, 2012 through March 31, 2013 and Year ended March 31, 2014

| <b>Name and Principal Position</b>  | <b>Year (\$)</b> | <b>Salary (\$)</b> | <b>Bonus (\$)</b> | <b>Stock Awards (\$)</b> | <b>Option (\$)</b> | <b>Non-Equity Incentive Plan Compensation (\$)</b> | <b>Nonqualified Deferred Compensation Earnings (\$)</b> | <b>All Other Compensation (\$)</b> | <b>Total (\$)</b> |
|---|------------------|--------------------|-------------------|--------------------------|--------------------|--|---|------------------------------------|-------------------|
| Steven P. Nickolas<br><i>President, Chief Executive Officer, Chairman and Director<sup>(1)</sup></i>                              | 2014             | 39,119             | Nil               | 10,000                   | 1,112,868          | Nil  | Nil   | 21,291                             | 1,183,278         |
|   | 2013             | 50,000             | Nil               | Nil                      | Nil                | Nil  | Nil   | 19,732                             | 69,732            |
| Richard A. Wright<br><i>Vice-President, Secretary, Treasurer and Director<sup>(2)</sup></i>                                       | 2014             | 24,948             | Nil               | 10,000                   | 1,112,868          | Nil  | Nil   | 3,385                              | 1,151,201         |
|   | 2013             | Nil                | Nil               | Nil                      | Nil                | Nil  | Nil   | 2,875                              | 2,875             |
| Stephen Rolls<br><i>Former President, Secretary, Treasurer, Chief Executive Officer and Chief Financial Officer<sup>(3)</sup></i> | 2014             | Nil                | Nil               | Nil                      | Nil                | Nil  | Nil   | Nil                                | Nil               |
|   | 2013             | Nil                | Nil               | Nil                      | Nil                | Nil  | Nil   | Nil                                | Nil               |

**Notes**

- (1) Effective as of May 31, 2013, Mr. Nickolas was appointed as chairman, president, chief executive officer, secretary and a director of our company. On August 7, 2013, our board of directors replaced Mr. Nickolas as secretary of our company with Richard A. Wright.
- (2) Effective as of May 31, 2013, Mr. Wright was appointed as vice-president, treasurer and a director of our company. On August 7, 2013, our board of directors appointed Mr. Wright as secretary of our company.
- (3) On March 18, 2013, we appointed Stephen Rolls, as our president, secretary, treasurer, chief executive officer, chief financial officer and as a director of our company. On May 31, 2013, Mr. Rolls resigned as a director of our company and from all officer positions of our company.

For the period ended March 31, 2013 Steven P. Nickolas had an oral agreement with Alkaline 88, LLC to provide executive level management through his company, Beverage Science Laboratory, at the rate of \$5,000 per month. In addition, Alkaline 88, LLC provided health insurance, an auto allowance and other benefits totaling \$19,732.

For the year ended March 31, 2014 Steven P. Nickolas had an oral agreement with Alkaline 88, LLC to provide executive level management through his company, Beverage Science Laboratory, at the rate of \$5,000 per month. In addition, Alkaline 88, LLC provided health insurance, an auto allowance and other benefits totaling \$21,291.

For the year ended March 31, 2014 Steven P. Nickolas was paid \$30,000 through his consulting firm Beverage Science Laboratory LLC services.

For the period ended March 31, 2013 Richard A. Wright was paid \$2,875 through his CPA firm, Wright Tax Solutions PLC, for CPA services.

For the year ended March 31, 2014 Richard A. Wright had an oral agreement with Alkaline 88, LLC to provide executive level management through his company, Beverage Science Laboratory, at the rate of \$4,000 per month. In addition, Alkaline 88, LLC provided Mr. Wright an auto allowance and other benefits totaling \$3,385.

For the year ended March 31, 2014 Richard A. Wright was paid \$28,000 through his CPA firm, Wright Tax Solutions PLC, for CPA and consulting services.

We have not entered into any written employment agreement or consulting agreement with our directors or executive officers.

Effective October 7, 2013, our board of directors adopted and approved the 2013 Equity Incentive Plan. The plan was approved by a majority of our stockholders on October 7, 2013. The purpose of the plan is to (a) enable our company and any of our affiliates to attract and retain the types of employees, consultants and directors who will contribute to our company's long range success; (b) provide incentives that align the interests of employees, consultants and directors with those of the stockholders of our company; and (c) promote the success of our company's business. The plan enables us to grant awards of a maximum of 20,000,000 shares of our stock and awards that may be granted under the plan includes incentive stock options, non-qualified stock options, stock appreciation rights, restricted awards and performance compensation awards.

Effective October 8, 2013, we issued a total of 20,000,000 shares of non-convertible Series A Preferred Stock to Steven P. Nickolas and Richard A. Wright (10,000,000 shares to each) in consideration for the past services, at a deemed value of \$0.001 per share. We valued these shares based on the cost considering the time and average billing rate of these individuals and recorded a \$20,000 stock compensation cost for year ended March 31, 2014, resulting in stock award compensation of \$10,000 for Steven P. Nickolas and Richard A. Wright each.

Effective October 9, 2013, we granted a total of 6,000,000 stock options to Steven A. Nickolas and Richard A. Wright (3,000,000 stock options to each). The stock options are exercisable at the exercise price of \$0.605 per share for a period of ten years from the date of grant. The stock options vest as follows: (i) 1,000,000 upon the date of grant; and (ii) 500,000 per quarter until fully vested. We estimated compensation expense of \$2,225,736 on the stock options granted that vested during the year ended March 31, 2014, divided equally between Steven P. Nickolas and Richard A. Wright in the amount of \$1,112,868 each. The aggregate intrinsic value of these options was \$0 at March 31, 2014.

Effective May 12, 2014, we granted a total of 1,200,000 stock options Steven A. Nickolas and Richard A. Wright (600,000 stock options to each). The stock options are exercisable at the exercise price of \$0.165 per share for a period of five years from the date of grant. 600,000 stock options vested upon the date of grant.

Effective May 21, 2014, we granted a total of 6,000,000 stock options to Steven A. Nickolas and Richard A. Wright (3,000,000 stock options to each). The stock options are exercisable at the exercise price of \$0.1455 per share for a period of ten years from the date of grant. 3,000,000 of these stock options vested upon the date of grant and the other 3,000,000 stock options will vest on November 21, 2014.

**Retirement or Similar Benefit Plans**

There are no arrangements or plans in which we provide retirement or similar benefits for our directors or executive officers.

**Resignation, Retirement, Other Termination, or Change in Control Arrangements**

We have no contract, agreement, plan or arrangement, whether written or unwritten, that provides for payments to our directors or executive officers at, following, or in connection with the resignation, retirement or other termination of our directors or executive officers, or a change in control of our company or a change in our directors or executive officers responsibilities following a change in control.

**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth for each named executive officer certain information concerning the outstanding equity awards as of March 31, 2014:

| Name               | Option awards   |   |  |                            |                        | Stock awards  |  |   |
|--------------------|---|---|--|----------------------------|------------------------|---|--|---|
|                    | Number of securities underlying unexercised options (#) exercisable | Number of securities underlying unexercised options (#) unexercisable | Equity incentive plan awards: Number of securities underlying unexercised unearned options (#) | Option exercise price (\$) | Option expiration date | Number of shares or units of stock that have not vested (#) | Number of shares or units of stock that have not vested (\$) | Equity incentive plan awards: Number of unearned shares or units of other rights that have not vested (#) |
| Steven P. Nickolas | 1,500,000   | 1,500,000 <sup>1</sup>  | Nil  | 0.605                      | October 9, 2023        | Nil   | Nil  | Nil   |
| Richard A. Wright  | 1,500,000   | 1,500,000   | Nil  | 0.605                      | October 9, 2023        | Nil   | Nil  | Nil   |
| Stephen Rolls      | Nil   | Nil   | Nil  | Nil                        | Nil                    | Nil   | Nil  | Nil   |

**Compensation of Directors**

The table below shows the compensation of our directors who were not our named executive officers for the fiscal year ended March 31, 2014:

| Name | Fees earned or paid in cash (\$) | Stock awards (\$) | Option awards (\$) | Non-equity incentive plan compensation (\$) | Nonqualified deferred compensation earnings (\$) | All other compensation (\$) | Total (\$) |
|------|----------------------------------|-------------------|--------------------|---|--|-----------------------------|------------|
|      |                                  |                   |                    |   |  |                             |            |



|                 |     |     |     |     |     |     |     |
|-----------------|-----|-----|-----|-----|-----|-----|-----|
| Sergejs Belkovs | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
|-----------------|-----|-----|-----|-----|-----|-----|-----|

We have no formal plan for compensating our directors for their services in their capacity as directors. Our directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of our board of directors. Our board of directors may award special remuneration to any director undertaking any special services on their behalf other than services ordinarily required of a director.

### Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of October 16, 2014, certain information with respect to the beneficial ownership of our common stock by each stockholder known by us to be the beneficial owner of more than 5% of any class of our voting securities and by each of our current directors, our named executive officers and by our current executive officers and directors as a group.

| Name of Beneficial Owner   | Title of Class                                | Amount and Nature of Beneficial Ownership <sup>(1)</sup> | Percentage of Class <sup>(2)</sup> |
|--|---|--|------------------------------------|
| Steven P. Nickolas<br>14301 North 87 St., Suite 109<br>Scottsdale, AZ 85260              | Common Stock                                  | 49,600,000 <sup>(4)</sup>                                | 39.8%                              |
|  | Series A Preferred Stock <sup>(3)</sup>       | 10,000,000   | 50%                                |
| Richard A. Wright<br>14301 N. 87 <sup>th</sup> Street, Suite 119<br>Scottsdale, AZ 85260 | Common Stock                                  | 6,600,000 <sup>(5)</sup>                                 | 5.3%                               |
|  | Series A Preferred Stock <sup>(3)</sup>       | 10,000,000   | 50%                                |
| Stephen Rolls  | Common Stock                                  | Nil  | Nil                                |
| <b>All executive officers and directors as a group (2 persons)</b>                       | <b>Common Stock</b>                           | <b>56,200,000</b>  | <b>42.8%</b>                       |
|  | <b>Series A Preferred Stock<sup>(3)</sup></b> | <b>20,000,000</b>  | <b>100%</b>                        |

#### Notes

- Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Common stock subject to options or warrants currently exercisable or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage ownership of the person holding such option or warrants, but are not deemed outstanding for purposes of computing the percentage ownership of any other person.
- Percentage of common stock is based on 118,135,825 shares of our common stock issued and outstanding as of October 16, 2014. Percentage of Series A Preferred Stock is based on 20,000,000 shares of Series A Preferred Stock issued and outstanding as of October 16, 2014.
- The Series A Preferred Stock has 10 votes per share and is not convertible into shares of our common stock.
- Consists of 6,600,000 stock options exercisable within 60 days, 21,500,000 shares of our common stock owned by WiN Investments, LLC and 21,500,000 shares of our common stock owned by Lifewater Industries, LLC. Steven P. Nickolas exercises voting and dispositive power with respect to the shares of our common stock that are beneficially owned by WiN Investments, LLC and Lifewater Industries, LLC.

(5) Consists of 6,600,000 stock options exercisable within 60 days.

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## **Changes in Control**

We are unaware of any contract or other arrangement the operation of which may at a subsequent date result in a change in control of our company.

## **Transactions with Related Persons, Promoters and Certain Control Persons and Corporate Governance**

Other than as disclosed below, there has been no transaction, since April 1, 2011, or currently proposed transaction, in which our company was or is to be a participant and the amount involved exceeds \$3,543.40, being the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years, and in which any of the following persons had or will have a direct or indirect material interest:

- (a) Any director or executive officer of our company;
- (b) Any person who beneficially owns, directly or indirectly, more than 5% of any class of our voting securities;
- (c) Any of our promoters and control persons; and
- (d) Any member of the immediate family (including spouse, parents, children, siblings and in-laws) of any of the foregoing persons.

### **Related Party Transactions with Water Engineering Solutions, LLC**

On February 27, 2013, we paid a \$15,000 deposit on equipment that we purchased for approximately \$208,773. The equipment was manufactured by and purchased under an exclusive manufacturing contract from Water Engineering Solutions, LLC, an entity that is controlled and majority owned by Steven P. Nickolas and Richard A. Wright, for the production of our alkaline water.

During the period from June 19, 2012 to March 31, 2014, we purchased \$219,000 in equipment from Water Engineering Solutions, LLC.

On January 17, 2014, we entered into an equipment lease with Water Engineering Solutions LLC for specialized equipment used to make our alkaline water. On February 12, 2014, we entered into an amendment #1 to the equipment lease agreement dated January 17, 2014 with Water Engineering Solutions, LLC. The amendment provides that the term of the lease will commence upon the actual installation and commercial operation of the equipment and continue for 60 months. The amendment also provides that the equipment will be leased for \$190,576 at a rate of 8% per annum with the residual amount of \$1.00. For the term of the agreement, we agreed to deliver to Water Engineering Solutions, LLC lease payments in the amount of \$3,864 per month, commencing 30 days after the equipment is commercially operating but no later than July 1, 2014. In addition, the amendment provides that the title will pass to us upon completion of the term and payment of \$1.00 residual amount.

On April 2, 2014, we entered into an equipment sale/lease back agreement with Water Engineering Solutions, LLC for specialized equipment with an original cost of \$208,773 acquired in August 2013. Under the terms of the agreement, Water Engineering Solutions, LLC bought back the equipment for \$188,000 in April 2014 and the equipment was leased back to us for \$188,000 at a rate of 8% per annum for a term of 60 months with the residual amount of \$1.00. For the term of the agreement, we agreed to deliver to Water Engineering Solutions, LLC lease payments in the amount of \$3,811.96 per month, commencing on May 2, 2014. In addition, the agreement provides that the title will pass to us upon completion of the term and payment of \$1.00 residual amount.

Under the terms of the exclusive manufacturing agreement entered into on April 15, 2013 between our company and Water Engineering Solutions LLC, we paid \$690,000 on May 1, 2014 and \$21,500 on June 27, 2014, \$115,000 on July 1, 2014, \$10,000 on August 2, 2014 and \$100,000 on August 22, 2014 for specialized equipment used in the

production of our alkaline water.

### **Other Related Party Transactions**

On August 1, 2013 we entered into a 3-year sub-lease agreement requiring a monthly payment of \$2,085 for office space in Scottsdale, Arizona, with a basic monthly lease increase of 8% and 7% on each anniversary date. Our company or the landlord can cancel the lease with 30 days notice. The sub-lessor is an entity owned by Steven P. Nickolas, our chief executive officer and president.

During the period from June 19, 2012 to June 30, 2014, we had a total of \$65,378 in general and administrative expenses with related parties. Of the total, \$33,592 was to four different entities consisting of consulting fees to Beverage Science Laboratories (\$25,000), Water Enhanced Technologies, Inc. (\$3,000) and WiN Investments, LLC (\$2,000), entities controlled and owned by Steven P. Nickolas, and Water Engineering Solutions, LLC (\$3,592), an entity controlled and owned by Steven P. Nickolas and Richard A. Wright. In addition, \$12,000 was rent to Steven P. Nickolas and \$16,500 was professional fees to Wright Tax Solutions, LLC (\$12,500) and Wright Investment Group (\$4,000), entities controlled and owned by Richard A. Wright and \$7,638 for health insurance for Steven P. Nickolas \$9,000 auto allowance for Steve A Nickolas and \$3,385 auto allowance for Richard A. Wright.

Alkaline Water Corp. has a month-to-month sub-rental arrangement with Beverage Science Laboratories for \$1,914 per month.

### **Compensation for Executive Officers and Directors**

For information regarding compensation for our executive officers and directors, see Executive Compensation .

### **Director Independence**

We currently act with two directors consisting of Steven P. Nickolas and Richard A. Wright. Our common stock is quoted on the OTCQB operated by the OTC Markets Group, which does not impose any director independence requirements. Under NASDAQ rule 5605(a)(2), a director is not independent if he or she is also an executive officer or employee of the corporation or was, at any time during the past three years, employed by the corporation. Using this definition of independent director, we do not have any independent director.

### **Where You Can Find More Information**

We are not required to deliver an annual report to our stockholders unless our directors are elected at a meeting of our stockholders or by written consents of our stockholders. If our directors are not elected in such manner, we are not required to deliver an annual report to our stockholders and will not voluntarily send an annual report.

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. Such filings are available to the public over the Internet at the Securities and Exchange Commission's website at <http://www.sec.gov>.

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act of 1933 with respect to the securities offered under this prospectus. This prospectus, which forms a part of that registration statement, does not contain all information included in the registration statement. Certain information is omitted and you should refer to the registration statement and its exhibits.

You may review a copy of the registration statement at the Securities and Exchange Commission's public reference room at 100 F Street, N.E. Washington, D.C. 20549 on official business days during the hours of 10 a.m. to 3 p.m. You may obtain information on the operation of the public reference room by calling the Securities and Exchange Commission at 1-800-SEC-0330. You may also read and copy any materials we file with the Securities and Exchange Commission at the Securities and Exchange Commission's public reference room. Our filings and the registration

statement can also be reviewed by accessing the Securities and Exchange Commission's website at <http://www.sec.gov>.

**9,399,600 Shares**

**The Alkaline Water Company Inc.**

**Common Stock**

**Prospectus**

\_\_\_\_\_, 2014



**Information Not Required in Prospectus****Other Expenses of Issuance and Distribution**

The following table sets forth the costs and expenses payable by us in connection with the issuance and distribution of the securities being registered hereunder. The selling stockholder will bear no expenses associated with this offering except for any broker discounts and commissions or equivalent expenses and expenses of the selling stockholder's legal counsel applicable to the sale of his shares. All of the amounts shown are estimates, except for the Securities and Exchange Commission registration fees.

|  |           |                  |
|--|-----------|------------------|
| Securities and Exchange Commission registration fees | \$        | 110.32           |
| Accounting fees and expenses                         | \$        | 10,000           |
| Legal fees and expenses                              | \$        | 25,000           |
| Miscellaneous fees and expenses                      | \$        | 5,000            |
| <b>Total</b>   | <b>\$</b> | <b>40,110.32</b> |

**Indemnification of Directors and Officers**

The Nevada Revised Statutes provide that:

- a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he or she acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful;
- a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him or her in connection with the defense or settlement of the action or suit if he or she acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper; and
- to the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding, or in defense of any claim, issue or matter therein, the corporation must indemnify him or her against expenses, including attorneys' fees, actually and reasonably incurred by him or her in connection with the defense.



The Nevada Revised Statutes provide that we may make any discretionary indemnification only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made:

- by our stockholders;
- by our board of directors by majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding;
- if a majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding so orders, by independent legal counsel in a written opinion;
- if a quorum consisting of directors who were not parties to the action, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion; or
- by court order.

Our bylaws provide for the mandatory indemnification of our directors and officers to the fullest extent legally permissible under the Nevada Revised Statutes from time to time against all expenses, liability and loss reasonably incurred or suffered by such person in connection with he or she having been or being a party to, threatening to be made a party to, or involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or an officer of the company. Advance payment of expenses by the company to such director or officer, as these expenses are incurred in defending a civil or criminal action, suit or proceeding, are subject to an undertaking by or on behalf of the director or officer to repay the amount of such payment if it is ultimately determined by a court of competent jurisdiction that he or she is not entitled to be indemnified by our company. The right of indemnification under our bylaws is not exclusive of any other right to indemnification a director or an officer may have.

Our bylaws allow us to purchase and maintain insurance on behalf of any person who is or was a director or officer of our company against any liability asserted against such person and incurred in any such capacity or arising out of such status, whether or not we would have the power to indemnify such person. We have not purchased such insurance.

### **Recent Sales of Unregistered Securities**

On September 12, 2011, we sold 500,000 pre-split share (7,500,000 post-split shares) of common stock to our former secretary, Vladislav Novichenko, for a purchase price of \$0.001 per pre-split share, for aggregate offering proceeds of \$500. We made the offer and sale in reliance on the exemption from registration afforded by Section 4(2) to the Securities Act of 1933, on the basis that the securities were offered and sold in a non-public offering to a sophisticated investor who had access to registration-type information about our company. No commission was paid in connection with the sale of any securities and no general solicitations were made to any person.

Pursuant to a share exchange agreement dated May 31, 2013 between our company, Alkaline Water Corp. and all of the stockholders of Alkaline Water Corp., we closed the share exchange agreement and completed the acquisition of all of the issued and outstanding shares of Alkaline Water Corp. on May 31, 2013. Pursuant to the terms of the share exchange agreement, and on the closing date thereof, two stockholders of Alkaline Water Corp. sold all 100,000 issued and outstanding shares of common stock in the capital of Alkaline Water Corp. to our company in consideration for the issuance of 43,000,000 shares of our common stock (21,500,000 shares each) in the capital of our company. The securities were issued to two U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933) relying on Rule 506 of Regulation D and/or Section 4(a)(2) of the Securities Act of 1933.

In connection with the closing of the share exchange agreement, on May 31, 2013, we completed a non-brokered private placement with Bank Gutenberg AG of 1,312,500 units of our company at a price \$0.40 per unit for gross proceeds of \$525,000, with each unit consisting of one share of our company, one share purchase warrant (each, a **First Warrant** ) and one-half of one share purchase warrant (each whole warrant, a **Second Warrant** ). The First Warrant entitles the holder to purchase, for a period of two years from issuance, one additional share of our common stock at an exercise price of \$0.50 per share and each whole Second Warrant entitles the holder to purchase, for a period of two years from issuance, one additional share of our common stock at an exercise price of \$0.60 per share.

Also in connection with the closing of the share exchange agreement, on May 31, 2013, we converted three secured convertible notes issued by Alkaline 88, LLC to Bank Gutenberg AG into 574,675 units of our company at a price of \$0.40 per unit. The convertible notes had an aggregate principal amount of \$225,000 and bore interest at 10% per annum (\$4,869.86) . The units had the same terms as the units issued in connection with the private placement described above.

Pursuant to the private placement and loan conversions, we issued 1,887,175 shares, 1,887,175 First Warrants, and 943,588 Second Warrants. The securities were issued to one non-U.S. person (as that term is defined in Regulation S of the Securities Act of 1933) in an offshore transaction relying on Regulation S and/or Section 4(a)(2) of the Securities Act of 1933.

Effective August 14, 2013, we issued 250,000 shares of our common stock to one consultant in consideration for services rendered by the consultant to our company. The consultant is a U.S. Person (as that term is defined in Regulation S of the Securities Act of 1933) and in issuing securities to the consultant we relied on the exemption from the registration requirements of the Securities Act of 1933 provided by Rule 506 of Regulation D promulgated thereunder and/or Section 4(a)(2) of the Securities Act of 1933.

Effective October 8, 2013, we issued an aggregate of 1,250,000 shares of our common stock to three investors in a non-brokered private placement, at a purchase price of \$0.40 per share for gross proceeds of \$500,000. In addition, we issued 1,250,000 units to a finder in connection with this private placement. Each unit consisted of one share purchase warrant entitling the holder to purchase, for a period of two years from issuance, one share of our common stock at an exercise price of \$0.50 per share and one-half of one share purchase warrant, with each whole share purchase warrant entitling the holder to purchase, for a period of two years from issuance, one share of our common stock at an exercise price of \$0.60 per share. These investors and finder were not U.S. Persons (as that term is defined in Regulation S of the Securities Act of 1933) and all of these investors and finder acquired the securities in transactions outside of the United States. In issuing these securities to these investors and finder, we relied on the registration exemption provided for in Regulation S and/or Section 4(a)(2) of the Securities Act of 1933.

Effective October 8, 2013, we issued a total of 20,000,000 shares of non-convertible Series A Preferred Stock to Steven A. Nickolas and Richard A. Wright (10,000,000 shares to each), our directors and executive officers, in consideration for the past services, at a deemed value of \$0.001 per share. We issued these shares to two U.S. Persons (as that term is defined in Regulation S of the Securities Act of 1933) and in issuing securities we relied on the registration exemption provided for in Section 4(a)(2) of the Securities Act of 1933.

Effective October 10, 2013, we issued 200,000 shares of our common stock to one consultant in consideration for services rendered by the consultant to our company. The consultant is a U.S. Person (as that term is defined in Regulation S of the Securities Act of 1933) and in issuing securities to the consultant we relied on the exemption from the registration requirements of the Securities Act of 1933 provided in Section 4(a)(2) of the Securities Act of 1933.

On November 7, 2013, we issued an aggregate of 500.00028 shares of our 10% Series B Convertible Preferred Stock ( **Series B Preferred Stock** ) at a stated value of \$1,000 per share of Series B Preferred Stock for gross proceeds of \$500,000.28 (the **Offering** ). On the same date, we also issued Series A, Series B and Series C common stock purchase warrants. The Series A warrants are exercisable into 1,162,791 shares of our common stock ( **Common Stock** ) with an

exercise price of \$0.55 per share and have a term of exercise of five years. The Series B warrants are exercisable into 1,162,791 shares of the Common Stock with an exercise price of \$0.43 per share and have a term of exercise of 54 weeks. The Series C warrants are exercisable into 1,162,179 shares of the Common Stock with an exercise price of \$0.55 per share and have a term of exercise of five years; provided that such Series C warrants only become exercisable ratably upon exercise of the Series B Warrants. We issued the Series B Preferred Stock and the Series A, Series B and Series C common stock purchase warrants to three accredited investors. The issuance and sale of securities is exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933 and Rule 506 promulgated thereunder.

Holders of the Series B Preferred Stock will be entitled to receive cumulative dividends at the rate per share (as a percentage of the stated value per share) of 10% per annum, payable semi-annually on April 30 and October 31 and on each conversion date (with respect only to Series B Preferred Stock being converted) and on each Mandatory Redemption Date and One Year Redemption Date (with respect only to Series B Preferred Stock being redeemed). Upon any liquidation, dissolution or winding-up of our company, holders of the Series B Preferred Stock will be entitled to receive out of the assets of our company an amount equal to the stated value, plus any accrued and unpaid dividends thereon and any other fees or liquidated damages then due and owing thereon for each share of the Series B Preferred Stock before any distribution or payment is made to the holders of any junior securities.

Each share of the Series B Preferred Stock is convertible at the option of the holder thereof into that number of shares of Common Stock determined by dividing the stated value of such share of the Series B Preferred Stock by the conversion price of \$0.43, subject to later adjustment. In addition, on the earlier (the **Trigger Date**) of (a) the date that a registration statement that registers the resale of the shares of Common Stock issuable upon conversion of the shares of the Series B Preferred Stock (the **Registration Statement**) is first declared effective by the Securities and Exchange Commission and (b) the 180th calendar day following the date of the closing of the Offering (November 7, 2013), the conversion price will be reduced to the lesser of (i) the then conversion price or (ii) 85% of the average of the volume weighted average price for the five trading dates immediately prior to such Trigger Date, subject to a floor price of \$0.25. The conversion right is subject to the beneficial ownership limitation, which will be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of the Series B Preferred Stock held by the applicable holder. The holder may increase or decrease the beneficial ownership limitation upon not less than 61 days prior notice to our company, but in no event will such beneficial ownership exceed 9.99% .

Within three trading days from the closing of any subsequent financing (each, a **Mandatory Redemption Date**), we must use 25% of the proceeds from each such financing to redeem the Series B Preferred Stock on a pro rata basis, until such time that all of the Series B Preferred Stock then outstanding are redeemed in full (each, a **Mandatory Redemption**). If any portion of the cash payment for a Mandatory Redemption has not been paid by us on the Mandatory Redemption Date, interest will accrue until such amount is paid in full at a rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law. In addition, on the first anniversary of the earliest date on which any shares of the Series B Preferred Stock were issued (the **One Year Redemption Date**), we must redeem all of the then outstanding Series B Preferred Stock, for an amount in cash equal to the sum of 100% of the aggregate stated value then outstanding, the accrued but unpaid dividends and all the liquidated damages and other amounts due in respect of the Series B Preferred Stock. In addition, upon the occurrence of a triggering event, each holder will have the right to require us to redeem all of the Series B Preferred Stock then held by such holder for a redemption price, in cash, equal to the sum of (a) the greater of (i) 130% of the stated value and (ii) the product of (y) the volume weighted average price on the trading day immediately preceding the date of the triggering event and (z) the stated value divided by the then conversion price, (b) all accrued but unpaid dividends thereon, (c) the make-whole amount (being an amount in cash equal to all of the dividends that, but for the applicable conversion, redemption or default payment, would have accrued with respect to the applicable stated value being so converted or redeemed for the period commencing on the applicable redemption date or conversion date or default payment date and ending on November 8, 2014) and (d) all liquidated damages and other costs, expenses or amounts due in respect of the Series B Preferred Stock. The triggering events include, among other things, the failure of the Registration Statement to be declared effective by the Securities and Exchange Commission on or prior to the 180th day after the date of the closing of the Offering (November 7, 2013).

On November 4, 2013, we also entered into a Registration Rights Agreement with the investors pursuant to which we are obligated to file a Registration Statement to register the resale of the shares of Common Stock issuable upon conversion of the Series B Preferred Stock and upon exercise of the warrants on or prior to the 30th calendar day following November 4, 2013. We also agreed to use our best efforts to cause the registration statement to be declared effective as promptly as possible after the filing thereof, but in any event no later than the 60th calendar day following November 4, 2013 (or, in the event of a "full review" by the Securities and Exchange Commission, the 120th calendar

day following November 4, 2013).

Effective November 7, 2013, we issued Series A common stock purchase warrants to the placement agent and its designees as compensation for the services provided by the placement agent in connection with our private placement of 500,000 shares of our 10% Series B Convertible Preferred Stock, which was completed on November 7, 2013. The Series A warrants issued to the placement agent and its designees are exercisable into an aggregate of 116,279 shares of our common stock with an exercise price of \$0.55 per share and have a term of exercise of five years. We issued the Series A warrants to six accredited investors. The issuance of the Series A warrants was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933 and Rule 506 promulgated thereunder.

Between April 16, 2014 and April 22, 2014, the holders of Series B Preferred Stock converted 252.83 shares of Series B Preferred Stock into 796,566 shares of our common stock at a conversion price of \$0.3174 per share. The issuance of the securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933 and Rule 506 promulgated thereunder.

On May 1, 2014, we completed the offering and sale of an aggregate of 17,333,329 shares of our common stock and warrants to purchase an aggregate of 8,666,665 shares of our common stock, for aggregate gross proceeds of \$2,599,999.35. Each share of common stock we sold in the offering was accompanied by a warrant to purchase one-half of a share of common stock at an exercise price of \$0.15 per share for a period of five years from the date of issuance. Each share of common stock and warrant was sold at a price of \$0.15. These securities were sold pursuant to the securities purchase agreement dated April 28, 2014 and have been registered under the Securities Act of 1933 pursuant to our registration statement on Form S-1, as amended (No. 333-192599), which was declared effective by the Securities and Exchange Commission on April 16, 2014. Pursuant to the engagement agreement dated March 12, 2014 with H.C. Wainwright & Co., LLC ( **Wainwright** ), Wainwright agreed to act as our exclusive placement agent in connection with the offering. Pursuant to the engagement agreement, we paid Wainwright a cash placement fee equal to 8% of the aggregate gross proceeds from the offering, or \$208,000, and a non-accountable expense allowance equal to 1% of the aggregate gross proceeds from the offering, or \$26,000. In addition, we issued warrants to purchase an aggregate of 5.5% of the aggregate number of shares of our common stock sold in the offering, or 953,333, to Wainwright and its designees. These warrants have an exercise price of \$0.1875 per share and expire on April 16, 2019. In issuing these warrants, we relied on an exemption from the registration requirements of the Securities Act of 1933 provided by Section 4(a)(2) of the Securities Act of 1933.

On July 31, 2014, we issued 245,000 shares of our common stock to a third-party consultant for partial consideration for the services to be provided under a consulting agreement dated effective as of June 4, 2014. In addition, we agreed to issue to the consultant 70,000 shares of our common stock on or before August 15, 2014 (issued) and 35,000 shares of our common stock on or before September 15, 2014. We issued and intend to issue these shares to an accredited investor. The issuance of these shares was and will be exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933 and Rule 506 promulgated thereunder.

In consideration for the consulting services to be rendered to our company under a consulting agreement dated effective as of August 7, 2014, we agreed to issue to a third-party consultant an aggregate of 2,000,000 shares of our common stock to be issued as follows: 500,000 shares on the date of the execution of the agreement, 500,000 shares on the date that is 45 days from the execution date, 500,000 shares on the date that is 90 days from the execution date, and 500,000 shares on the date that is 135 days from the execution date. We issued and intend to issue these shares to an accredited investor. The issuance of these shares was and will be exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933 and Rule 506 promulgated thereunder.

On August 20, 2014, we entered into a warrant amendment agreement (the **Warrant Amendment Agreement** ) with certain holders (the **Holder** ) of our outstanding common stock purchase warrants (the **Existing Warrants** ), whereby we agreed to reduce the exercise price of the Existing Warrants to \$0.10 per share in consideration for the immediate exercise of the Existing Warrants by the Holder and the Holder is to be issued new common stock purchase warrants of our company (the **New Warrants** ) in the form of the Existing Warrants to purchase up to a number of shares of our common stock equal to the number of Existing Warrants exercised by the Holder, provided that the



exercise price of the New Warrants will be \$0.125 per share, subject to adjustment in the New Warrants.

On August 21, 2014, pursuant to the Warrant Amendment Agreement, we issued an aggregate of 9,829,455 shares of our common stock upon exercise of the Existing Warrants at an exercise price of \$0.10 per share for aggregate gross proceeds of \$982,945.50. In addition, we issued New Warrants to purchase an aggregate of 9,829,455 shares of our common stock at an exercise price of \$0.125 per share for a period of five years from the date of issuance. An aggregate of 8,666,664 shares of our common stock issued upon exercise of the Existing Warrants were registered under the Securities Act of 1933 pursuant to our registration statement on Form S-1, as amended (No. 333-192599), which was declared effective by the Securities and Exchange Commission on April 16, 2014 and in issuing the rest of shares of our common stock upon exercise of the Existing Warrants, we relied on an exemption from the registration requirements of the Securities Act of 1933 provided by Section 4(a)(2) of the Securities Act of 1933 and Rule 506 promulgated thereunder. In issuing the New Warrants, we relied on an exemption from the registration requirements of the Securities Act of 1933 provided by Section 4(a)(2) of the Securities Act of 1933.

On October 7, 2014, we entered into a warrant amendment agreement (the **Rogers Warrant Amendment Agreement**) with Neil William Rogers, a holder of our outstanding common stock purchase warrants (the **Rogers Existing Warrants**), whereby we agreed to reduce the exercise price of the Rogers Existing Warrants to \$0.10 per share in consideration for the immediate exercise of the Rogers Existing Warrants by Mr. Rogers and Mr. Rogers was to be issued new common stock purchase warrants of our company (the **Rogers New Warrants**) in the form of the Rogers Existing Warrants to purchase up to a number of shares of our common stock equal to the number of Rogers Existing Warrants exercised by Mr. Rogers, provided that the exercise price of the Rogers New Warrants will be \$0.125 per share, subject to adjustment in the Rogers New Warrants.

On October 7, 2014, pursuant to the Rogers Warrant Amendment Agreement, we issued an aggregate of 4,699,800 shares of our common stock upon exercise of the Rogers Existing Warrants at an exercise price of \$0.10 per share for aggregate gross proceeds of \$469,980. In addition, we issued Rogers New Warrants to purchase an aggregate of 4,699,800 shares of our common stock at an exercise price of \$0.125 per share for a period of two years from the date of issuance. These securities were issued to one non-U.S. person (as that term is defined in Regulation S of the Securities Act of 1933) in an offshore transaction relying on Regulation S and/or Section 4(a)(2) of the Securities Act of 1933.

## Exhibits

### Exhibit

#### Number Description

|            |   |
|------------|---|
| <b>(2)</b> | <b>Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession</b>  |
| 2.1        | Share Exchange Agreement dated May 31, 2013 with Alkaline Water Corp. and its shareholders (incorporated by reference from our Current Report on Form 8-K, filed on June 5, 2013) |
| <b>(3)</b> | <b>Articles of Incorporation and Bylaws</b>   |
| 3.1        | Articles of Incorporation (incorporated by reference from our Form S-1 Registration Statement, filed on October 28, 2011)   |
| 3.2        | Certificate of Change (incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2013)  |
| 3.3        | Articles of Merger (incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2013)   |
| 3.4        | Certificate of Amendment (incorporated by reference from our Current Report on Form 8-K, filed on October 11, 2013)   |
| 3.5        | Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on October 11, 2013)   |
| 3.6        | Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on November 12, 2013)  |
| 3.7        |   |

Amended and Restated Bylaws (incorporated by reference from our Current Report on Form 8-K, filed on March 15, 2013)

**(5) Opinion regarding Legality**

5.1\* Opinion of Clark Wilson LLP regarding the legality of the securities being registered

**(10) Material Contracts**

10.1 Contract Packer Agreement dated November 14, 2012 between Alkaline 84, LLC and AZ Bottled Water, LLC (incorporated by reference from our Current Report on Form 8-K, filed on June 5, 2013)

- 10.2 Private Placement Subscription Agreement dated February 21, 2013 with Alkaline 84, LLC and Bank Gutenberg AG (incorporated by reference from our Quarterly Report on Form 10-Q, filed on May 17, 2013)
- 10.3 Private Placement Subscription Agreement dated April 17, 2013 with Alkaline 84, LLC and Bank Gutenberg AG (incorporated by reference from our Quarterly Report on Form 10-Q, filed on May 17, 2013)
- 10.4 Private Placement Subscription Agreement dated May 17, 2013 with Alkaline 84, LLC and Bank Gutenberg AG (incorporated by reference from our Current Report on Form 8-K, filed on June 5, 2013)
- 10.5 Private Placement Subscription Agreement dated May 29, 2013 with Bank Gutenberg AG (incorporated by reference from our Current Report on Form 8-K, filed on June 5, 2013)
- 10.6 2013 Equity Incentive Plan (incorporated by reference from our Current Report on Form 8-K, filed on October 11, 2013)
- 10.7 Form of Securities Purchase Agreement dated as of November 4, 2013, by and among The Alkaline Water Company Inc. and the purchasers named therein (incorporated by reference from our Current Report on Form 8-K, filed on November 5, 2013)
- 10.8 Form of Registration Rights Agreement dated as of November 4, 2013, by and among The Alkaline Water Company Inc. and the purchasers named therein (incorporated by reference from our Current Report on Form 8-K, filed on November 5, 2013)
- 10.9 Form of Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on November 5, 2013)
- 10.10 Stock Option Agreement dated October 9, 2013 with Steven P. Nickolas (incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 13, 2013)
- 10.11 Stock Option Agreement dated October 9, 2013 with Richard A. Wright (incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 13, 2013)
- 10.12 Contract Packer Agreement dated October 7, 2013 with White Water, LLC (incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 13, 2013)
- 10.13 Manufacturing Agreement dated August 15, 2013 with Water Engineering Solutions, LLC (incorporated by reference from our Registration Statement on Form S-1, filed on November 27, 2013)
- 10.14 Equipment Lease Agreement dated January 17, 2014 (incorporated by reference from our Current Report on Form 8-K, filed on January 27, 2014)
- 10.15 Revolving Accounts Receivable Funding Agreement dated February 20, 2014 (incorporated by reference from our Current Report on Form 8-K, filed on February 25, 2014)
- 10.16 Form of Securities Purchase Agreement dated as of April 28, 2014, between The Alkaline Water Company Inc. and the purchasers named therein (incorporated by reference from our Current Report on Form 8-K, filed on May 6, 2014)
- 10.17 Form of Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on May 6, 2014)
- 10.18 Form of Placement Agent Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on May 6, 2014)
- 10.19 Stock Option Agreement dated May 12, 2014 with Steven P. Nickolas (incorporated by reference from our Current Report on Form 8-K, filed on May 14, 2014)
- 10.20 Stock Option Agreement dated May 12, 2014 with Richard A. Wright (incorporated by reference from our Current Report on Form 8-K, filed on May 14, 2014)
- 10.21 Stock Option Agreement dated May 21, 2014 with Steven P. Nickolas (incorporated by reference from our Current Report on Form 8-K, filed on May 23, 2014)
- 10.22 Stock Option Agreement dated May 21, 2014 with Richard A. Wright (incorporated by reference from our Current Report on Form 8-K, filed on May 23, 2014)
- 10.23 Amendment #1 dated February 12, 2014 to Equipment Lease Agreement (incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2014)
- 10.24 Equipment Sale/Lease Back Agreement dated April 2, 2014 (incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2014)
- 10.25

Engagement Agreement dated October 7, 2013 with H.C. Wainwright & Co., LLC (incorporated by reference from our Registration Statement on Form S-1, filed on November 27, 2013)

- 10.26 Amendment Agreement to Engagement Agreement dated November 1, 2013 with H.C. Wainwright & Co., LLC (incorporated by reference from our Registration Statement on Form S-1/A, filed on January 9, 2014)
- 10.27 Amendment Agreement to Engagement Agreement dated November 25, 2013 with H.C. Wainwright & Co., LLC (incorporated by reference from our Registration Statement on Form S-1, filed on November 27, 2013)
- 10.28 Termination Agreement for Engagement Agreement dated March 12, 2014 with H.C. Wainwright & Co., LLC (incorporated by reference from our Registration Statement on Form S-1, filed on March 12, 2014)
- 10.29 Engagement Agreement dated March 12, 2014 with H.C. Wainwright & Co., LLC (incorporated by reference from our Registration Statement on Form S-1, filed on March 12, 2014)
- 10.30 Agreement dated August 12, 2014 with H.C. Wainwright & Co., LLC (incorporated by reference from our Current Report on Form 8-K, filed on August 21, 2014)
- 10.31 Form of Warrant Amendment Agreement (incorporated by reference from our Current Report on Form 8-K, filed on August 21, 2014)
- 10.32 Form of Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on August 21, 2014)
- 10.33 Form of Warrant Amendment Agreement (incorporated by reference from our Current Report on Form 8-K, filed on October 9, 2014)
- 10.34 Form of Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on October 9, 2014)
- (16) Letter re Change in Certifying Accountant**
- 16.1 Letter from Sadler, Gibb & Associates dated June 14, 2013 (incorporated by reference from our Current Report on Form 8-K/A, filed on June 14, 2013)
- (21) Subsidiaries**
- 21.1 Subsidiaries of The Alkaline Water Company Inc.  
Alkaline Water Corp., Arizona corporation Alkaline 88, LLC,  
Arizona limited liability company
- (23) Consents of Experts and Counsel**
- 23.1\* Consent of Seale and Beers, CPAs
- 23.2\* Consent of Clark Wilson LLP (included in Exhibit 5.1)

**(101) Interactive Data File**

- 101.INS\* XBRL Instance Document
- 101.SCH\* XBRL Taxonomy Extension Schema
- 101.CAL\* XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF\* XBRL Taxonomy Extension Definition Linkbase
- 101.LAB\* XBRL Taxonomy Extension Label Linkbase
- 101.PRE\* XBRL Taxonomy Extension Presentation Linkbase

\*Filed herewith.

**Undertakings**

The undersigned registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
  - i. To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;
  - ii. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement.

Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

- iii. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

2. That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;
3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering; and
4. That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.
5. That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:
  - i. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
  - ii. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
  - iii. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
  - iv. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser;

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.



**Signatures**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Scottsdale, State of Arizona, on October 16, 2014.

**The Alkaline Water Company Inc.**

By:

/s/ Steven P. Nickolas

Steven P. Nickolas  
President, Chief Executive Officer and Director  
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ Steven P. Nickolas

Steven P. Nickolas  
President, Chief Executive Officer and Director  
(Principal Executive Officer)

Date: October 16, 2014

/s/ Richard A. Wright

Richard A. Wright  
Vice-President, Secretary, Treasurer and Director  
(Principal Financial Officer and Principal Accounting Officer)

Date: October 16, 2014