

ALKALINE WATER Co INC  
Form 424B3  
August 21, 2014

Filed pursuant to Rule 424(b)(3)  
Registration No. 333-192599

## Prospectus

### The Alkaline Water Company Inc.

#### Up to 8,666,665 Shares of Common Stock Underlying the Warrants

This prospectus relates to the issuance of up to 8,666,665 shares of our common stock upon the exercise of warrants with an exercise price of \$0.10 per share (reduced from \$0.15 per share), which were issued by us as part of an offering that closed on May 1, 2014 and which were included in our registration statement on Form S-1 (File No. 333-192599).

Our common stock is quoted on the OTC Markets Group's OTCQB under the symbol WTER. On August 20, 2014, the closing price of our common stock on the OTCQB was \$0.17 per share.

	Per Share		Total
<b>Offering Price</b>	\$	<b>0.10</b>	\$ <b>866,666.50</b>
<b>Agent's Fees<sup>(1)</sup></b>	\$	<b>0.01</b>	\$ <b>86,666.65</b>
<b>Offering Proceeds, Before Expenses</b>	\$	<b>0.09</b>	\$ <b>779,999.85</b>

(1) In addition, we have agreed to reimburse the agent \$10,000 for its legal fees and expenses, provided that no reimbursement will be payable by us to the agent if the exercise of the warrants (including certain warrants issued in our private placements) results in gross proceeds to us of less than \$500,000.

H.C. Wainwright & Co., LLC has agreed to act as our exclusive agent to facilitate the exercise of the warrants on a reasonable best efforts basis. We have agreed to pay the agent 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 have agreed to reimburse the agent \$10,000 for its legal fees and expenses, provided that no reimbursement will be payable by us to the agent if the exercise of the warrants (including certain warrants issued in our private placements) results in gross proceeds to us of less than \$500,000. We estimate total expenses of this offering, excluding the agent fees and expenses, will be approximately \$25,000. See "Plan of Distribution" beginning on page 13 of this prospectus for more information on this offering and the agent arrangements.

**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.**

H.C. WAINWRIGHT & CO., LLC

The date of this prospectus is August 21, 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

Securities offered	Up to 8,666,665 shares of common stock issuable upon exercise of the warrants
Use of proceeds	We expect to use the net proceeds from the exercise of the warrants for capital expenditures, working capital and other general corporate purposes. See Use of Proceeds for more information.
OTCQB Symbol	WTER
Risk Factors	See Risk Factors beginning on page 5 and other information in this prospectus for a discussion of the factors you should consider before you decide to invest in our common stock and warrants.

### Our Business

Our company offers retail consumers bottled alkaline water in three-liter and one-gallon 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 Arizona Bottled Water, LLC, White Water, LLC and Brookshire's Grocery Company 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 two contract manufacturing facilities in Phoenix, Arizona and one in Tyler Texas and 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 6,000 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 and Natures Best 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 \$100,000 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 27 of this prospectus.



Statements of Operations Data	Three Month Period Ended June 30, 2014	Three Month Period Ended June 30, 2013
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)

Statements of Operations Data	Year Ended March 31, 2014	Period from Inception (June 19, 2012) to March 31, 2013
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)

Balance Sheets Data	As of June 30, 2014	As of March 31, 2014	As of March 31, 2013
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 This Offering

*You will experience immediate and substantial dilution as a result of this offering and may experience additional dilution in the future.*

You will incur immediate and substantial dilution as a result of this offering. After giving effect to the exercise of warrants to purchase up to 8,666,665 shares of our common stock, and after deducting agent fees and expenses and estimated expenses payable by us, the holders of the warrants can expect an immediate dilution of \$0.084 per share, or 84%, at the exercise price. We may also acquire other assets or businesses by issuing equity, which may result in additional dilution to our stockholders.





***We will have immediate and broad discretion over the use of the net proceeds from exercise of the warrants and we may use these proceeds in ways with which you may not agree.***

We have considerable discretion in the application of the proceeds of the exercise of the warrants. We currently expect to use the net proceeds from exercise of the warrants for capital expenditures, working capital and other general corporate purposes. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary or advisable. You must rely on our judgment regarding the application of the net proceeds from exercise of the warrants. Our judgment may not result in positive returns on your investment and you will not have an opportunity to evaluate the economic, financial, or other information upon which we base our decisions.

### **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.; Nestlé; 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 August 20, 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 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 15g-9 which generally defines penny stock to be any equity security that has a market price (as defined in Rule 15g-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 broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock.

### **Forward-Looking Statements**

This prospectus contains forward-looking statements. Forward-looking statements are projections in respect of future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as *may*, *should*, *intend*, *expect*, *plan*, *anticipate*, *believe*, *estimate*, *predict*, *potential*, or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, including the risks in the section entitled *Risk Factors*, uncertainties and other factors, which may cause our company's or our industry's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or performance. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

### **Use of Proceeds**

We may receive up to a total of \$866,666.50 in gross proceeds upon exercise of the warrants to purchase shares of our common stock being offered pursuant to this prospectus. We expect to use the net proceeds from the exercise of the warrants for capital expenditures, working capital and other general corporate purposes. However, we are unable to predict the timing or amount of potential warrant exercises. The warrants may expire unexercised and we may never receive any proceeds.

### **Determination of Offering Price**

In reducing the exercise price of the warrants from \$0.15 per share to \$0.10 per share, we considered a number of factors including, but not limited to, the current market price of our common stock, trading prices of our common stock over time, the liquidity and volatility of our common stock, our current financial condition and the prospects for our future cash flows and earnings, and market and economic conditions at the time of the offering.

Our common stock is quoted on the OTC Markets Group's OTCQB under the symbol *WTER*. On August 20, 2014, the closing price of our common stock on the OTCQB was \$0.17 per share.

### Dilution

If you exercise the warrants in this offering, your interest will be diluted immediately to the extent of the difference between the exercise price per share of our warrants and the pro forma net tangible book value per share of our common stock after this offering. Our net tangible book value per share is determined by dividing our total tangible assets, less total liabilities, by the number of shares of our outstanding common stock. As of June 30, 2014, our net tangible book value was \$984,889, or \$0.01 per share of common stock.

Net tangible book value dilution per share represents the difference between the exercise price per share of the warrants and the pro forma net tangible book value per share in common stock immediately after completion of the exercise of the warrants. After giving effect to the exercise of warrants to purchase up to 8,666,665 shares of common stock at an exercise price of \$0.10 per share, and after deducting agent fees and expenses (\$96,666.65) and estimated expenses payable by us (\$25,000), our pro forma net tangible book value as of June 30, 2014 would have been \$1,729,889, or \$0.016 per share. This represents an immediate increase of net tangible book value of \$0.006 per share to our existing stockholders and an immediate dilution in net tangible book value of \$0.084 per share to holders of warrants. The following table illustrates this per share dilution:

Exercise price per share	\$ 0.10
Net tangible book value per share as of June 30, 2014	\$ 0.01
Increase in net tangible book value per share attributable to exercise of warrants	\$ 0.006
Pro forma net tangible book value per share after exercise of warrants	\$ 0.016
Dilution in net tangible book value per share to holders of warrants	\$ 0.084

The above discussion and table do not include the following:

- 17,081,000 shares of common stock reserved for future issuance under our 2013 Equity Incentive Plan as of June 30, 2014. As of June 30, 2014, there were stock options to purchase up to 14,270,000 shares of our common stock outstanding under our 2013 Equity Incentive Plan with a weighted average exercise price of \$0.34 per share;
- 8,711,407 shares of common stock issuable upon the exercise of outstanding warrants (excluding warrants to purchase up to 8,666,665 shares of our common stock being offered pursuant to this prospectus) as of June 30, 2014, with exercise prices ranging from \$0.15 to \$0.60 per share;
- Subsequent issuances after June 30, 2014 totaling 1,745,000 shares of our common stock.

### Plan of Distribution

The shares of common stock underlying the warrants are being offered directly by us and the holders of such warrants may purchase the shares of common stock directly from us by exercising their outstanding warrants at an exercise price of \$0.10 per share. The warrants were issued by us as part of an offering that closed on May 1, 2014 and which were included in our registration statement on Form S-1 (File No. 333-192599). The warrants had an exercise price of \$0.15 per share, but we decided to reduce the exercise price to \$0.10 per share in order to facilitate the exercise of the warrants. In addition, the holders of the warrants to purchase the shares of our common stock being offered pursuant to this prospectus will be issued 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 such holders, provided that the exercise price of the new warrants will be \$0.125 per share.

H.C. Wainwright & Co., LLC has agreed to act as our exclusive agent to facilitate the exercise of the warrants on a reasonable best efforts basis. We have agreed to pay the agent 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 have agreed to reimburse the agent \$10,000 for its legal fees and expenses, provided that no reimbursement will be payable by us to the agent if the exercise of the warrants (including certain warrants issued in our private placements) results in gross proceeds to us of less than \$500,000.

The following table shows the per security and total fees we will pay to the agent assuming the exercise of all of the warrants in this offering.

<b>Per security</b>	\$ 0.01
<b>Total</b>	\$ 86,666.65

To the extent permitted by law, we agreed to indemnify the agent and its affiliates, stockholders, directors, officers, employees and controlling persons (within the meaning of Section 15 of the Securities Act of 1933 or Section 20 of the Securities Exchange Act of 1934) against all losses, claims, damages, expenses and liabilities, as the same are incurred (including the reasonable fees and expenses of counsel), relating to or arising out of its activities under our agreement with the agent, except to the extent that any losses, claims, damages, expenses or liabilities (or actions in respect thereof) are found in a final judgment (not subject to appeal) by a court of law to have resulted primarily and directly from the agent's willful misconduct or gross negligence in performing the services.

The agent may be deemed to be an underwriter within the meaning of Section 2(a)(11) of the Securities Act of 1933 (the **Securities Act**) and any commissions received by it and any profit realized on the sale of securities by them while acting as principal might be deemed to be underwriting discounts or commissions under the Securities Act. The agent is required to comply with the requirements of the Securities Act and the Securities Exchange Act of 1934, including without limitation, Rule 10b-5 and Regulation M under the Securities Exchange Act of 1934. Under these rules and regulations, agent may not (i) engage in any stabilization activity in connection with our securities or (ii) bid for or purchase any of our securities or attempt to induce any person to purchase any of our securities, other than as permitted under the Securities Exchange Act of 1934, until they have completed their participation in the distribution. The agent has informed us that it will not engage in overallotment, stabilizing transactions or syndicate covering transactions in connection with exercise of the warrants.

### **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 August 20, 2014, there were 102,927,070 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 (Series B Preferred Stock)**, which have a stated value of \$1,000 per share.

### **Warrants Being Exercised in This Offering**

Up to 8,666,665 shares of our common stock underlying the warrants are being offered directly by us and each warrant entitles the holder to purchase one share of common stock at an exercise price of \$0.10 per share. The warrants are exercisable immediately upon issuance and have an exercise term equal to five years. The exercise of the warrants is subject to certain exercise limitations, such that the holder may not exercise the warrants if such exercise results in the holder becoming the beneficial owner of more than 4.99% of the number of shares of common stock outstanding immediately after giving effect to such exercise, provided that upon at least 61 days prior notice to us, the holder may increase or decrease such limitation up to a maximum of 9.99% of the number of shares of common stock outstanding.

The warrants provide for the adjustment of the exercise price and number of shares issuable upon exercise of the warrants in connection with stock dividends and splits, such that the number of shares issuable upon exercise of the warrant is adjusted in proportion to the change in the number of shares outstanding and the aggregate exercise price of the warrant remains unchanged. In addition, if we sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue any common stock at an effective price per share less than the exercise price of the warrants then in effect, the exercise price will be reduced to such lower effective price per share, provide, however, no such adjustment will be made for certain exempt issuances. In addition, if we grant, issue or sell any common stock equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of common stock (and not the holder of the warrant), then the warrant holder will be entitled to acquire, upon the terms applicable to such purchase rights, the aggregate purchase rights which the holder could have acquired if the holder had held the number of shares of common stock acquirable upon complete exercise of the warrant. If we declare or make any dividend or other distribution of our assets to holders of our common stock, the warrant holder shall be entitled to participate in the distribution to the same extent that the holder would have participated therein if the holder had held the number of shares of common stock acquirable upon complete exercise of the warrant. Other than as described above, the warrants do not contain anti-dilution provisions.



Upon the reclassification, reorganization or recapitalization of our common stock, our merger or consolidation with or into another entity, the consummation of a stock purchase agreement whereby more than 50% of the outstanding shares of the common stock are acquired by another person or entity, or a sale or other disposition of substantially all of our assets, the holder of each of the warrants is entitled to receive the number of shares of our common stock or the common stock of our successor or acquirer that such holder would have been entitled to receive immediately prior to such transaction, and the exercise price for such shares shall be adjusted based on the amount of any alternate consideration receivable as a result of such transaction by a holder of the number of shares of common stock for which the warrant is exercisable immediately prior to such transaction. The holder of the warrant may also require us or any successor entity to purchase the warrant from the holder by paying to the holder an amount of cash equal to the Black Scholes value of the remaining unexercised portion of the warrant on the date of the consummation of the transaction.

### **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 August 20, 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**

Our consolidated financial statements for the years ended March 31, 2014 and 2013 and for the period from inception on June 19, 2012 through March 31, 2014 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 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 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 Arizona Bottled Water, LLC, White Water, LLC and Brookshire's Grocery Company 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 two contract manufacturing in Phoenix, Arizona and one in Tyler Texas and 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 6,000 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 and Natures Best 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 \$100,000 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 and Tyler Texas. 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 North Carolina, Illinois, Georgia and California. 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 month will be \$2,000,000 to \$5,000,000, 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 and Nature's Best 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 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
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 August 20, 2014, the closing price of our common stock as reported by the OTCQB was \$0.17 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 August 20, 2014, there were approximately 80 holders of record of our common stock. As of such date, 102,927,070 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 shareholders 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

**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, 81,602,175 and 77,500,000 shares issued and outstanding as of March 31, 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 March 31, 2014	Inception (June 19, 2012 to March 31, 2013	Inception (June 19, 2012 to 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 (June 19, 2012)	-	\$ -	-	\$ -	-	\$ -	-
Effect of reverse merger between Global Lines, Inc. and The Alkaline Water Corp. on March 31, 2013			77,500,000	77,500	176,405		253,905
Net (loss) from Inception to March 31, 2013						(283,388)	(283,388)
Balance, March 31, 2013	-	\$ -	77,500,000	\$ 77,500	\$ 176,405	\$ (283,388)	\$ (29,483)
Common stock issued at \$.40 for conversion of notes and interest payable			574,675	574	229,295		229,869
Common stock issued for cash at \$.40 per share			2,562,500	2,563	1,022,438		1,025,001
Common stock issued for services at \$.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 ended March 31, 2014	Inception (June 19, 2012) to March 31, 2013	Inception (June 19, 2012 to March 31, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (4,229,513)	\$ (283,388)	(4,512,901)
Adjustments to reconcile net income to net cash used 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 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 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 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 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.

**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
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### 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

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:

	<u>Warrant</u>	<u>Conversion feature</u>
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 Value at March 31, 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 Value at 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:



	<b>Number of Shares</b>	<b>Weighted- Average Exercise Price</b>	<b>Weighted- Average Remaining Contractual 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 of Warrants</b>	<b>Weighted- Average 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 Warrants Outstanding</b>	<b>Weighted- Average Remaining Contractual Life in Years</b>	<b>Weighted- Average 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.

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

	June 30, 2014 (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.

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

	For the Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	Inception (June 19, 2012) 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)	\$