

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended: **March 31, 2021**

or

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

For the transition period from _____ to _____

Commission file number: **001-38754**

THE ALKALINE WATER COMPANY INC.

(Exact name of registrant as specified in its charter)

Nevada
State or other jurisdiction of
incorporation or organization

99-0367049
(I.R.S. Employer
Identification No.)

8541 E. Anderson Drive, Suite 100, AZ 85255
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **(480) 656-2423**

Securities registered pursuant to Section 12(b) of the Act

Title of Each Class	Trading Symbol(s)	Name of each Exchange on which registered
<u>Common stock, par value \$0.001 per share</u>	<u>WTER</u>	<u>The Nasdaq Stock Market LLC</u>

Securities registered pursuant to Section 12(g) of the Act

None
(Title of Class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes No

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

67,688,172 shares of common stock at a price of \$1.26 per share for an aggregate market value of \$85,287,096.72.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

As of July 1, 2021, there were 89,761,122 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). **Not Applicable**

PART I

ITEM 1. BUSINESS

Forward-Looking Statements

This annual report contains "forward-looking statements." All statements other than statements of historical fact are "forward-looking statements" for purposes of applicable securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objections of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words "may," "could," "estimate," "intend," "continue," "believe," "expect" or "anticipate" or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. Except as required by applicable law, including the securities laws of the United States and Canada, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include, but are not limited to:

- lack of working capital;
- inability to raise additional financing;
- the fact that our accounting policies and methods are fundamental to how we report our financial condition and results of operations, and they may require our management to make estimates about matters that are inherently uncertain;
- deterioration in general or regional economic conditions;
- adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
- inability to efficiently manage our operations;
- inability to achieve future sales levels or other operating results; and
- the unavailability of funds for capital expenditures.

Unless otherwise indicated, all reference to "dollars", "\$", "USD" or "US\$" are to United States dollars and all reference to "CDN\$" are to Canadian dollars.

Our financial statements are stated in United States Dollars (\$) or US\$) unless otherwise stated and are prepared in accordance with United States Generally Accepted Accounting Principles.

In this annual report, unless otherwise specified, all references to "common shares" refer to the common shares in our capital stock.

As used in this annual report on Form 10-K, the terms "we", "us" "our", the "Company" and "Alkaline" refer to The Alkaline Water Company Inc. (a Nevada Corporation) and its five wholly owned subsidiaries: A88 Infused Beverage Division Inc. (a Nevada Corporation), A88 International, Inc. (a Nevada Corporation), A88 Infused Products Inc. (a Nevada Corporation), AWC Acquisition Company Inc. (a Nevada Corporation), and Alkaline 88, LLC (an Arizona Limited Liability Company), unless otherwise specified.

Corporate Overview

Founded in 2012, The Alkaline Water Company (NASDAQ and CSE: WTER) is headquartered in Scottsdale, Arizona. Its flagship product, Alkaline88®, is a leading premier alkaline water brand available in bulk and single-serve sizes along with eco-friendly aluminum packaging options. With its innovative, state-of-the-art proprietary electrolysis process, Alkaline88® delivers perfect 8.8 pH balanced alkaline drinking water with trace minerals and electrolytes and boasts our trademarked label 'Clean Beverage.' Quickly being recognized as a growing lifestyle brand, Alkaline88® launched A88 Infused™ in 2019 to meet consumer demand for flavor-infused products. A88 Infused™ flavored water is available in six unique all-natural flavors, with new flavors coming soon. Additionally, in 2020, the Company launched A88 Infused Beverage Division Inc., which includes the Company's CBD water and flavor-infused water. For the Company's topical and ingestible offerings, A88 Infused Products Inc. includes both the Company's lab-tested full-spectrum hemp salves, balms, lotions, essential oils, and bath salts, along with broad-spectrum hemp, powder packs, oil tinctures, capsules, and gummies. under the brand name "A88CBD™". Our hemp-derived CBD products are produced and sold in compliance with the Agriculture Improvement Act of 2018 (also known as the 2018 Farm Bill, Public Law 115-334).

Our bottled alkaline water product is presently available in over 75,000 stores in all 50 states, the District of Columbia, the Caribbean and in Mexico. We distribute our product through several channels. We sell through large national distributors (UNFI, KeHE, C&S, and Core-Mark), which together represent over 150,000 retail outlets. We also sell our products directly to retail clients, including convenience stores, natural food products stores, large ethnic markets and national retailers and through Direct Store Distributors in selected markets, including Mahaska, Nevada Beverage, and Hensley, covering Nevada, Arizona, and Midwest region. Combined, they service over 16,000 customers in five states. Each one carries our full line of non-CBD waters. Some examples of retail clients are: Walmart, CVS, Rite-Aid Family Dollar, Food Lion, Albertson's/Safeway, Kroger companies, Schnucks, Smart & Final, Jewel-Osco, Sprouts, Bashas', Stater Bros. Markets, Unified Grocers, Bristol Farms, Publix, Vallarta, Superior Foods, Ingles, Shaw's, Raley's, Harris Teeter, Festival Foods, HEB and Brookshire's. The majority of our sales to retail clients are through brokers and distributors, however, sales to our larger retail clients are often direct to the client's own warehouse distribution network. Our CBD products are presently available for purchase on our E-commerce websites, www.a88cbd.com and www.a88hemp.com, in addition to a growing number of brick and mortar retail locations.

Our operating subsidiary, Alkaline 88, LLC, operates primarily as a marketing, distribution, and manufacturing company for our alkaline bottled water products. It has entered into co-packing agreements with eight different bottling companies located in Virginia, Georgia, California, Texas, Nevada and Arizona to act as co-packers for our product. Our current capacity at all plants exceeds approximately \$14.0 million per month wholesale.

Our component materials are readily available through multiple vendors. Our principal suppliers are Vav Plastics Inc., Amcor Inc., Smurfit, and Goodpac.

A88 Infused Beverage Division, Inc.

In August 2018, we formed A88 Infused Beverage Division, Inc., or "A88 Infused," a Nevada corporation and a wholly-owned subsidiary of our company. A88 Infused's focus is brand extension and product innovations in the wellness water category. We formed A88 Infused to meet what we believe is increasing consumer demand for enhanced and functional (value-added) beverages. We expect A88 Infused to capitalize on this and potential consumer demand with the development and launch of new products focused on growing trends in the beverage space. Our first infused water products were launched in 2019 and consist of A88 Infused's flavored water products, which are now available in Blood Orange, Lemon, Lemon-Lime, Peach Mango, Watermelon and Raspberry. They are produced in Waco Texas at Waco Bottling. Currently A88 Infused's flavored water products are on thousands of shelves nationwide in many of the same retailers that carry our flagship brand Alkaline88, including, 99 Cent Only, Albertson (Randalls, Safeway), Associated Foods, Associated Wholesale Grocers, B&G Wholesale, Gelson's Market, HEB, HY-VEE, Ingles, Save A Lot Super Store Industries, Supervalu, Wakefern, and national distributors UNFI and KEHE. ***A88 Infused Products, Inc.***

In September 2019, we formed A88 Infused Products, Inc., or “A88 Products,” a Nevada corporation and a wholly-owned subsidiary of our company. A88 Product's focus is brand extension and product innovations in the CBD infused products category, which include ingestibles and topical products. For its ingestibles line, the A88™ Infused Beverage Division Inc. currently produces CBD infused tinctures, gummies, fruit chews and capsules, and will produce CBD infused drinks, beverage shots, and powder packs. For its topicals line, A88™ Infused Products Inc. currently produces salves, balms, lotions, bath bombs, essential oils, and bath-salt all made with lab-tested full-spectrum hemp. We formed A88 Products to meet what we believe is increasing consumer demand for a variety of CBD infused wellness products. We expect A88 Products to capitalize on this and potential consumer demand with the development and launch of new products focused on growing trends in the space. On February 20, 2020, A88 Products began selling its line of CBD infused topical products through ecommerce at www.a88cbd.com. Currently, all of A88 Products’ CBD products are available for purchase on its E-commerce websites, www.a88cbd.com and www.a88hemp.com, various third party ecommerce sites, and a growing number of brick and mortar retail locations throughout the United States. As of the date of this annual report, the FDA has not made a determination that the use of hemp extract in food is safe. The FDA has evaluated Generally Recognized as Safe (GRAS) notices for four hemp seed-derived food ingredients and determined that the agency has no questions that those ingredients are GRAS under their intended conditions of use. In the event the FDA issues appropriate regulations or guidance or determines that it has no questions that hemp extract is GRAS under intended conditions of use that would permit A88 Infused to market hemp extract in water without food additive approval, we expect to produce and sell *A88CBD water* as still water in bottles. We may also decide to market *Soothe™* in any states, districts or territories if applicable laws allow for such sale or if a supplier meets and complies with the FDA's GRAS regulations with respect to a self-certification regarding the safety and GRAS status of the use of hemp extract. We expect to produce *A88CBD water* as a low calorie or no calorie, hemp extract-infused water in three flavors and 5 functional formulas (Relax, Revive, Recover etc.). We may change the composition of our planned hemp-extract-infused product as necessary to comply with federal, state or local laws, regulations or guidance.

Plan of Operations

In order for us to implement our business plan over the next 12 months, we have identified the following milestones that we expect to achieve:

Expansion of Broker Network - We expect to continue to develop our working relationship with our national retail broker network. We continually meet, train, and go on sales call with our national retail broker network in order to take advantage of the momentum currently being created by their efforts and sell into clubs stores and big box retailers. New brokers will also be added in the on-premise and international sales channels to support initiatives that began in Fiscal 2020 and 2021. We anticipate a considerable amount of travel and ongoing expenses to be incurred as part of this expansion.

Strategically Located DSD Partners – We expect to add Direct Store Distributors (“DSD”) partners in the Northeast, Northwest and Mid-Atlantic to further accelerate our retail account penetration, specifically in the convenience store channel.

Increase Manufacturing Capacity - (i) Flagship Alkaline88® product: we expect to add three new co-packer facilities, strategically located to reduce freight costs and meet current volumes and future growth objectives; and (ii) A88 Infused: we expect to add three to five new co-packer facilities strategically located to meet anticipated volumes by product type and future growth objectives. (iii) A88 Infused Products Inc: we expect to add three new co-packer facilities strategically located to meet anticipated volumes by product type and future growth objectives

Expand Retail Distribution - We continue to expand our retail presence through securing new customers and growing the number of SKUs of our products carried by existing customers.

Expand On-Premise Distribution - In addition to adding qualified personnel to lead this area we will be bringing on numerous new brokers and distributors to support our on-premise channels which include, hotels, national parks, airports, universities, restaurants, resorts, health clubs, recreation and other on-premise facilities and businesses

Expand International Distribution – We anticipate adding new brokers, distributors and co-packers to support our international sales initiatives in Canada, Mexico the Caribbean and potential parts of Asia

Addition of Support Staff and Officers- In order to support expansion efforts and to continue the training and support of our broker network, we anticipate that we will need to hire approximately five to 10 more people on the corporate level for the specific purpose of supporting and overseeing e-commerce, hospitality/on-premise sales, DSD sales, expanded manufacturing, distributor and retailer relationships, and marketing to support utilizing our brand ambassador. We continue to seek and interview candidates to fill our growing need for additional staffing

- E-commerce Expansion: We will hire personnel to head up and support and aggressive ecommerce expansion of our flagship products and other functional beverages. This will be supported with an aggressive marketing plan.
- Traditional Marketing Program: With the May 2021 signing of our partnership with Shaquille O’Neal and Authentic Brand

Group we will embark on our first ever national marketing plan. We anticipate adding a Chief Marketing Officer to work in conjunction with our agencies in establishing sales and branding objectives over the three year term of the brand ambassador agreement.

- Capital Considerations - Our business plan can be adjusted based on the available capital to the business.
 - On February 22, 2021, we entered into a sales agreement (the "Sales Agreement") with Roth Capital Partners, LLC, as sales agent (the "Agent"), pursuant to which we may offer and sell, from time to time, through or to the Agent, as sales agent and/or principal (the "Offering") up to \$20,000,000 in shares of our common stock. Subject to the terms and conditions of the Sales Agreement, the Agent agreed to use its commercially reasonable efforts to sell the shares from time to time, based upon our instructions. Under the Sales Agreement, the Agent may sell the shares by any method permitted by law deemed to be an "at the market offering" as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. We have no obligation to sell any of the shares and may at any time suspend offers under the Sales Agreement. The Offering will terminate upon (a) the election of the Agent upon the occurrence of certain adverse events, (b) five days' advance notice from one party to the other, or (c) the sale of all of the shares specified in the Sales Agreement. Under the terms of the Sales Agreement, the Agent will be entitled to a commission at a fixed rate of 3.0% of the gross proceeds from each sale of the shares under the Sales Agreement. We will also reimburse the Agent for certain expenses incurred in connection with the Sales Agreement.
 - We believe cash on hand, plus anticipated warrant exercises, our line of credit and the Sales Agreement will adequately fund our current planned operations and capital needs for the next 12 months. However, if our current plans change or are accelerated or we choose increase our production capacity, we may seek to sell additional equity or debt securities or obtain additional credit facilities, including seeking investments from strategic investors. 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.

The milestones set forth above reflect our current judgment and belief regarding the direction of our business. Actual events, expenditures and results will almost always vary, sometimes materially, from any estimates, predictions, projections or assumptions suggested herein.

Distribution Method for Our Products

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. We are also adding certain DSD distribution partners in certain strategic markets throughout the United States to assist in our retail account penetration, specifically in the convenience store channel.

Through common carriers we ship our water to distribution centers (DC) around the country. We distribute to the natural food channel by delivering to primarily KeHE and UNFI distributors who then deliver to specific store locations within their customer networks. Combined, they reach over 60,000 retailers nationwide. The convenience channel is served by Core-Mark, McLane, and select market DSDs that service 110,000 retailers.

We deliver directly to the DCs of our large national and regional grocery, drug, and specialty retailers. These retailers include Walmart, CVS, Family Dollar, Albertson's/Safeway, Kroger companies, and regional grocery chains such as Schnucks, Smart & Final, Jewel-Osco, Sprouts, Bashas', Bristol Farms, Stater Brothers, Unified Grocers, Publix, Vallarta, Superior Foods, Ingles, Shaw's, Raley's Harris Teeter, Festival Foods, Brookshire's, HEB and other companies throughout the United States. In total we are now in more than 70% of the top 75 grocery retailers in the United States.

Dependence on Few Customers

We have 3 major customers that together account for 41% (16%, 13% and 12%, respectively) of accounts receivable at March 31, 2021, and 2 customers that together account for 40% (23% and 17%, respectively) of the total revenues earned for the year ended March 31, 2021.

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.

Marketing

We intend to continue 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.

We have engaged a sales and marketing agency to assist our company in all aspects of our marketing, trade promotion, public relations and brand development. Their expertise in all aspects of consumer goods brand development and marketing is expected to help us meet the growing consumer demand for both our flagship Alkaline88[®] product and our A88CBD[™] product line.

Competition

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: CORE[®] Hydration, SOBE[®], Snapple[®], AriZona[®] Iced Tea, Vitaminwater[®], Gatorade Perform[®], and POWERADE[®].

We compete indirectly with major international beverage companies including but not limited to: The Coca-Cola Company[®], PepsiCo, Inc., The Nestlé Group, Dr Pepper Snapple Group, Inc, Danone S.A., The Kraft Heinz Company, and Unilever PLC. These companies have established market presence in the United States and globally, and offer a variety of beverages that are competitors to our products. 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 will compete directly with other alkaline water producers and brands focused on the emerging alkaline beverage market including Eternal, Essentia, Core, Icelandic, Real Water, AQUAHydrate, 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 \$0.99 for a half-liter bottle to \$4.99 for a one-gallon bottle, and volumes ranging from half-liter bottles to one-gallon bottles. We currently offer our product in a one-gallon bottle for a suggested resale price or a SRP of \$4.99, three-liter bottle for a SRP of \$3.99, 2 liter bottle at a SRP of \$2.99, 1.5 liter at a SRP of \$2.49, 1 liter at a SRP of \$1.99, 700 milliliter single serving at a SRP of \$1.19, an aluminum 500ml at a SRP of \$2.49, and a 500 milliliter at a SRP of \$0.99. Our competitors may introduce larger sizes and offer them at an SRP that is lower than our products. We can provide no assurances that consumers will continue to purchase our products or that they will not prefer to purchase a competitive product.

The CBD and hemp extract market is extremely competitive and constantly evolving. We face competition from both existing and emerging companies that offer similar CBD and hemp products to our company. We face potential direct competition from Charlotte's Web Holdings Inc., PureKana, and cbdMD.

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 Alkaline88[®] has been registered in the USA, Canada, Hong Kong, and has been applied for in China.

Other trade marks that have been registered and are currently being used in our marketing efforts include Clean Beverage[®], Smooth Hydration[®], Ionized H2O[®], A88[®], Hello Hydration[®], A88 Infused[®], and Refreshingly Different CBD[®].

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 Richard A. Wright, who is our president, chief executive officer and director, and David A. Guarino, who is our chief financial officer, secretary, treasurer and director, we currently employ 26 full time employees and 2 part-time employees. 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.

ITEM 1A. 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 report in evaluating our company and its 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.

Risks Related to Our Business

Because we have a limited operating history, we may have difficulty realizing consistent and meaningful revenues and achieving profitability.

We were incorporated on June 6, 2011, and we only began producing and distributing alkaline bottled water in 2013. Since we have a limited operating history, our ability to successfully develop our products and to realize consistent and meaningful revenues and to achieve profitability has not been established and cannot be assured. For us to realize consistent, meaningful revenues and to achieve profitability, 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 products.

Our financial statements are prepared using generally accepted accounting principles in the United States 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. As of March 31, 2021, we had an accumulated deficit of \$69,850,201. 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.

Our disclosure controls and procedures and internal control over financial reporting are not effective, which may cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public.

Our management evaluated our disclosure controls and procedures as of March 31, 2021 and concluded that as of that date, our disclosure controls and procedures were not effective. In addition, our management evaluated our internal control over financial reporting as of March 31, 2021 and concluded that there were material weaknesses in our internal control over financial reporting as of that date and that our internal control over financial reporting was not effective as of that date. A material weakness is a control deficiency, or combination of control deficiencies, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected on a timely basis.

We have not yet remediated these material weaknesses and we believe that our disclosure controls and procedures and internal control over financial reporting continue to be ineffective. Until these issues are corrected, our ability to report financial results or other information required to be disclosed on a timely and accurate basis may be adversely affected and our financial reporting may continue to be unreliable, which could result in additional misinformation being disseminated to the public. Investors relying upon this misinformation may make an uninformed investment decision.

We will need additional funds to continue producing, marketing, and distributing our products.

We will have to spend additional funds to continue producing, marketing and distributing our products. If we cannot raise sufficient capital, we may have to cease operations. We will need additional funds to continue to produce our products for distribution to our target market.

We will have to continue 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 of our relative size, we must limit our product development, marketing, and sales activities to the amount of capital we raise. 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.

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: CORE® Hydration, SOBE®, Snapple®, AriZona® Iced Tea, Vitaminwater®, Gatorade Perform®, and POWERADE®.

We compete indirectly with major international beverage companies including but not limited to: The Coca-Cola Company®, PepsiCo, Inc., The Nestlé Group, Dr Pepper Snapple Group, Inc, Danone S.A., The Kraft Heinz Company, and Unilever PLC. These companies have established market presence in the United States and globally, and offer a variety of beverages that are competitors to our products. 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 Naturally Alkaline® Spring Water, Essentia®, CORE® Hydration, Icelandic Glacial™, Real Water®, AQUAhydrate®, Mount Valley Spring Water™, QURE Water®, Penta® Water, 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 products, and to gain sufficient market share in the United States and around the world 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 enough to allow our company to successfully market, distribute and sell our products, or to successfully compete with current or future competition, all of which may result in total loss of your investment.

A failure to introduce new products or product extensions into new marketplaces successfully could prevent us from achieving long-term profitability.

We compete in an industry characterized by rapid changes in consumer preferences, so our ability to continue developing new products to satisfy our consumers' changing preferences will determine our long-term success. A failure to introduce new products or product extensions into new marketplaces successfully could prevent us from achieving long-term profitability. In addition, customer preferences are also affected by factors other than taste, such as the publicity. If we do not adjust to respond to these and other changes in customer preferences, our sales may be adversely affected. In addition, a failure to obtain any required regulatory approvals for our proposed products could have a material adverse effect on our business, operating results and financial condition.

Our growth and profitability depends on the performance of third-party brokers and distributors and on our ongoing relationships 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 of your investment. To distribute our products, we use a broker-distributor-retailer network whereby brokers represent our products to distributors and retailers who will in turn sell our products to consumers. The success of this network will depend on the performance of the brokers, distributors and retailers within this network. There is a risk that a broker, distributor, or retailer may refuse to or cease to market or carry our products. 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 products in localities that may not be receptive to our products. 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 products. 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 had 3 major customers that together account for 41% (16%, 13% and 12%, respectively) of accounts receivable at March 31, 2021, and 2 customers that together account for 40% (23% and 17%, respectively) of the total revenues earned for the year ended March 31, 2021. There can be no assurance that such customers will continue to order our products at 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.

Our dependence on a limited number of vendors leaves us vulnerable to having an inadequate supply of required products, price increases, late deliveries, and poor product quality.

We had 3 vendors that accounted for 56% (25%, 20%, and 11%, respectively) of purchases for the year ended March 31, 2021. Like other companies in our industry, we occasionally experience shortages and are unable to purchase our desired volume of products. Increasingly, our vendors are combining and merging together, leaving us with fewer alternative sources. If we are unable to maintain an adequate supply of products, our revenue and gross profit could suffer considerably. Finally, we cannot provide any assurance that our products will be available in quantities sufficient to meet customer demand. Any limits to product access could materially and adversely affect our business and results of operations.

Our business is sensitive to public perception. If any product proves to be harmful to consumers or if scientific studies provide unfavorable findings regarding their safety or effectiveness, then our image in the marketplace would be negatively impacted.

Our results of operations may be significantly affected by the public's perception of our company and similar companies. Our business could be adversely affected if any of our products or similar products distributed by other companies proves to be harmful to consumers or if scientific studies provide unfavorable findings regarding the safety or effectiveness of our products or any similar products. If our products suffer from negative consumer perception, it is likely to adversely affect our business and results of operations.

Consumers may have preconceptions about the health benefits of alkaline water; such health benefits are not guaranteed or proven.

Health benefits of alkaline water are not guaranteed and have not been proven. Although we do not market our products as having any potential health benefits, 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. We are also prohibited from touting unconfirmed health benefits in our advertising and promotional activities for the products, both directly and indirectly through claims made by third-party endorsers when those endorsers have a material connection to our company.

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

Water is the main ingredient in our products. 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 minerals from Himalayan salts and 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, could 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 products 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.

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 products 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 products 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 products and contribute to lower sales, which could have an adverse effect on our results of operations for such periods.

Our business could be adversely affected by the effects of health epidemics, including the global COVID-19 pandemic.

In December 2019, a novel strain of COVID-19 was reported in China. Since then, the COVID-19 has spread globally including across North America and the United States. The spread of COVID-19 from China to other countries has resulted in the World Health Organization (WHO) declaring the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease, on March 11, 2020. Many countries around the world, including the United States, have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of the virus, and have closed non-essential businesses.

Specifically, at the time this annual report is prepared, we caution that our business could be materially and adversely affected by the risks, or the public perception of the risks, related to the outbreak of COVID-19. Although retailers which carry our products may be considered essential businesses and therefore be allowed to remain operational, they may experience significantly reduced demand. The risk of a pandemic, or public perception of the risk, could cause customers to avoid public places, including retail properties, and could cause temporary or long-term disruptions in our supply chains and/or delays in the delivery of our inventory to our customers. Further, such risks could also adversely affect retail customers' financial condition, resulting in reduced spending on our products, which are marketed as premium products. "Shelter-in-place" or other such orders by governmental entities could also disrupt our operations, if our employees or the employees of our sourcing partners who cannot perform their responsibilities from home, are not able to report to work. Risks related to an epidemic, pandemic or other health crisis, such as COVID-19, could also lead to the complete or partial closure of one or more of our co-packing facilities or operations of our sourcing partners.

The spread of COVID-19, which has caused a broad impact globally, may materially affect us economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business and the value of our common stock.

The global outbreak of COVID-19 continues to rapidly evolve. The extent to which COVID-19 may impact our business, operations and financial performance will depend on future developments, including the duration of the outbreak, travel restrictions and social distancing in the United States and other countries, changes to the regulatory regimes under which we operate, the effectiveness of actions taken in United States and other countries to contain and treat the disease and whether the United States and additional countries are required to move to complete lock-down status. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence.

We rely on third parties to produce and bottle our products, which creates additional risk.

We do not own or operate bottling or co-packing facilities used for the production of the various water products in our portfolio. We rely on those third parties to ensure the quality, safety and integrity of our products. If the third parties that we engage to produce and bottle our products fail to meet our demands or are found by government agencies to be out of compliance with applicable regulatory requirements, our supplies of those products and our future profit margins could be adversely affected.

Product contamination or tampering or issues or concerns with respect to product quality, safety and integrity could adversely affect our business, reputation, financial condition or results of operations.

Product contamination or tampering, the failure to maintain high standards for product quality, safety and integrity, including with respect to raw materials and ingredients obtained from suppliers, or allegations (whether or not valid) of product quality issues, mislabeling, misbranding, spoilage, allergens, adulteration or contamination with respect to products in our portfolio may reduce demand for such products, and cause production and delivery disruptions or increase costs, each of which could adversely affect our business, reputation, financial condition or results of operations. If any of the products in our portfolio are mislabeled or become unfit for consumption or cause injury, illness or death, or if appropriate resources are not devoted to product quality and safety (particularly as we expand our portfolio into new categories) or to comply with changing food safety requirements, we could decide to, or be required to, recall products or withdraw from the marketplace and/or we may be subject to liability or government action, which could result in payment of damages or fines, cause certain products in our portfolio to be unavailable for a period of time, result in destruction of product inventory, or result in adverse publicity (whether or not valid), which could reduce consumer demand and brand equity. Moreover, even if allegations of product contamination or tampering or suggestions that our products were not fit for consumption are meritless, the negative publicity surrounding assertions against us or products in our portfolio or processes could adversely affect our reputation or brands. Our business could also be adversely affected if consumers lose confidence in product quality, safety and integrity generally, even if such loss of confidence is unrelated to products in our portfolio. Any of the foregoing could adversely affect our business, reputation, financial condition or results of operations. In addition, if we do not have adequate insurance, if we do not have enforceable indemnification from suppliers, bottlers, distributors or other third parties or if indemnification is not available, the liability relating to such product claims or disruption as a result of recall efforts could materially adversely affect our business, financial condition or results of operations.

Our products are considered premium beverages and are being sold at premium prices compared to our competitors' products; 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, Core, Icelandic, Real Water, AQUAhydrate, 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 \$0.99 for a half-liter bottle to \$4.99 for a one-gallon bottle, and volumes ranging from half-liter bottles to one-gallon bottles. We currently offer our product in a one-gallon bottle for a suggested resale price of a \$4.99, three-liter bottle for a SRP of \$3.99, 2-liter at a SRP of \$2.99, 1.5 liter at a SRP of \$2.49, 1 liter at a SRP of \$1.99, 700 milliliter single serving at a SRP of \$1.19, and a 500 milliliter at a SRP of \$0.99. Our competitors may introduce larger sizes and offer them at an SRP that is lower than our products. We can provide no assurances that consumers will continue to purchase our products or that they will not prefer to purchase a competitive product.

We are subject to periodic claims and litigation that could result in unexpected expenses and could ultimately be resolved against us.

From time to time, we are involved in litigation and other proceedings, including matters related to product liability claims, stockholder class action and derivative claims, commercial disputes and intellectual property, as well as trade, regulatory, employment, and other claims related to our business. Any of these proceedings could result in significant settlement amounts, damages, fines or other penalties, divert financial and management resources, and result in significant legal fees.

An unfavorable outcome of any particular proceeding could exceed the limits of our insurance policies or the carriers may decline to fund such final settlements and/or judgments and could have an adverse impact on our business, financial condition, and results of operations. In addition, any proceeding could negatively impact our reputation among our guests and our brand/image.

We regularly evaluate potential expansion into international markets, and any expansion into such international operations could subject us to risks and expenses that could adversely impact our business, financial condition and results of operations.

We have recently expanded into the Caribbean and Mexico. However, we have not undertaken substantial commercial activities outside of the United States. We have evaluated, and continue to evaluate, potential expansion into certain other international markets. Our international sales and operations would be subject to a variety of risks, including fluctuations in currency exchange rates, tariffs, import restrictions and other trade barriers, unexpected changes in legal and regulatory requirements, longer accounts receivable payment cycles, potentially adverse tax consequences, and difficulty in complying with foreign laws and regulations, as well as U.S. laws and regulations that govern foreign activities. Economic uncertainty in some of the geographic regions in which we might operate could result in the disruption of commerce and negatively impact our operations in those areas. Also, if we choose to pursue international expansion efforts, it may be necessary or desirable to contract with third parties, and we may not be able to enter into such agreements on commercially acceptable terms or at all. Further, such arrangements may not perform to our expectations, and we may be exposed to various risks as a result of the activities of our partners.

We rely on key executive officers who have extensive knowledge of our business and the industry in which we operate; the loss of any of these key executive officers would be difficult to replace and may adversely affect our business.

We are highly dependent on two executive officers, Richard A. Wright and David A. Guarino, who have extensive knowledge of our business and the industry in which we operate. We do not have "key person" life insurance policies for either of these officers. The loss of Richard A. Wright and/or David A. Guarino 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.

If we are unable to protect our information systems against service interruption, misappropriation of data or breaches of security, our operations could be disrupted, we may suffer financial losses and our reputation may be damaged.

We rely on networks and information systems and other technology ("**information systems**"), including the Internet and third-party hosted services, to support a variety of business processes and activities, including procurement and supply chain, manufacturing, distribution, invoicing and collection of payments, employee processes and consumer marketing. We use information systems to process financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting and legal and tax requirements. In addition, we depend on information systems for digital marketing activities and electronic communications between our company and our bottlers and other customers, suppliers and consumers. Because information systems are critical to many of our operating activities, our business may be impacted by system shutdowns, service disruptions or security breaches. These incidents may be caused by failures during routine operations such as system upgrades or by user errors, as well as network or hardware failures, malicious or disruptive software, unintentional or malicious actions of employees or contractors, cyberattacks by common hackers, criminal groups or nation-state organizations or social-activist (hacktivist) organizations, geopolitical events, natural disasters, failures or impairments of telecommunications networks, or other catastrophic events. In addition, such incidents could result in unauthorized or accidental disclosure of material confidential information or regulated individual personal data. If our information systems suffer severe damage, disruption or shutdown and our business continuity plans do not effectively resolve the issues in a timely manner, we could experience delays in reporting our financial results, and we may lose revenue and profits as a result of our inability to timely manufacture, distribute, invoice and collect payments for concentrate or finished products. Unauthorized or accidental access to, or destruction, loss, alteration, disclosure, falsification or unavailability of, information could result in violations of data privacy laws and regulations, damage to the reputation and credibility of our company and, therefore, could have a negative impact on net operating revenues. In addition, we may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to us, our current or former employees, our bottling partners, other customers or suppliers, or consumers or other data subjects, and may become exposed to legal action and increased regulatory oversight. We could also be required to spend significant financial and other resources to remedy the damage caused by a security breach or to repair or replace networks and information systems.

In addition, third-party providers of data hosting or cloud services, as well as our bottling partners, distributors, retailers or suppliers, may experience cybersecurity incidents that may involve data we share with them. Although we have taken steps to prevent cybersecurity incidents, there can be no assurance that such steps will be adequate. In order to address risks to our information systems, we continue to make investments in personnel, technologies and training of our personnel.

Risks Related to Regulations Applicable to Our Industry

Changes in laws and regulations relating to beverage containers and packaging could increase our costs and reduce our net operating revenues or profitability.

We and our bottlers offer our products in non-refillable, recyclable containers in the United States. Regulations have been enacted in various jurisdictions in the United States requiring that deposits or certain eco-taxes or fees be charged for the sale, marketing and use of certain non-refillable beverage containers. Other proposals relating to beverage container deposits, recycling, eco-tax 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. Current regulations or the adoption of future regulations in the geographical regions in which we currently operate or intend to operate could adversely 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 products 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 products relating to the content or perceived adverse health consequences of our products. Federal laws may preempt some or all of these attempts by state or localities to impose additional labeling or warning requirements. If these types of requirements become applicable to our products under current or future environmental or health laws or regulations, they may inhibit sales of our products. Moreover, if we fail to meet compliance deadlines for any such new requirements, our products may be deemed misbranded or mislabeled and could be subject to enforcement action, or we could be exposed to private lawsuits alleging misleading labels or product promotion.

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 currently marketed products are subject to: the Federal Food, Drug, and Cosmetic Act; the Federal Trade Commission Act; the Lanham Act; state food and drug laws; 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. 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.

If we fail to comply with personal data protection laws, we could be subject to adverse publicity, government enforcement actions and/or private litigation, which could negatively affect our business and operating results.

In the ordinary course of our business, we receive, process, transmit and store information relating to identifiable individuals ("**personal data**"), primarily employees and former employees. As a result, we are subject to various U.S. federal and state and foreign laws and regulations relating to personal data. These laws have been subject to frequent changes, and new legislation in this area may be enacted in other jurisdictions at any time. There is no assurance that our security controls over personal data, the training of employees and vendors on data privacy and data security, and the policies, procedures and practices we implemented or may implement in the future will prevent the improper disclosure of personal data. Improper disclosure of personal data in violation of applicable personal data protection laws could harm our reputation, cause loss of consumer confidence, subject us to government enforcement actions (including fines), or result in private litigation against us, which could result in loss of revenue, increased costs, liability for monetary damages, fines and/or criminal prosecution, all of which could negatively affect our business and operating results.

If we produce, market and/or sell beverages infused with hemp, as defined under the Agriculture Improvement Act of 2018, we will be subject to a myriad of different laws and regulations governing the use of hemp in food and beverages and if we are unable to comply with such laws in a cost-effective manner, our business could be adversely affected.

The production of a beverage infused with hemp, as "hemp" is defined in the Agriculture Improvement Act of 2018 (also known as the 2018 Farm Bill, Public Law 115-334), is contingent on U.S. Food and Drug Administration, or the FDA, and state laws, regulations, and guidance. While the Agriculture Improvement Act of 2018 removed hemp from Schedule I of the Controlled Substances Act, the law did not change the FDA's authorities with respect to food or drugs. As of the date of this annual report, the FDA has not made a determination that the use of hemp in food is safe. The FDA has evaluated Generally Recognized as Safe or GRAS notices for three hemp seed-derived food ingredients and determined that the agency has no questions that those ingredients are GRAS under their intended conditions of use. We intend to comply in full with all federal, state, and local laws, rules and regulations as we develop our hemp alkaline water and other product lines. We will not pursue the production or sale of hemp-infused products until legally permitted.

Laws and regulations governing the use of hemp in food and beverages in the United States are broad in scope; subject to evolving interpretations; and subject to enforcement by a myriad of regulatory agencies and law enforcement entities. Under the Agriculture Improvement Act of 2018, a state or Indian tribe that desires to have primary regulatory authority over the production of hemp in the state or territory of the Indian tribe must submit a plan to monitor and regulate hemp production to the Secretary of the United States Department of Agriculture or USDA. The Secretary must then approve the state or tribal plan after determining if the plan complies with the requirements set forth in the Agriculture Improvement Act of 2018. The Secretary may also audit the state or Indian tribe's compliance with the federally-approved plan. If the Secretary does not approve the state or Indian tribe's plan, then the production of hemp in that state or territory of that Indian tribe will be subject to a plan established by USDA. USDA has not yet established such a plan. We anticipate that many states will seek to have primary regulatory authority over the production of hemp. States that seek such authority may create new laws and regulations that permit the use of hemp in food and beverages.

Federal and state laws and regulations on hemp may address production, monitoring, manufacturing, distribution, and laboratory testing to ensure that the hemp has a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis. Federal laws and regulations may also address the transportation or shipment of hemp or hemp products, as the Agriculture Improvement Act of 2018 prohibits states and Indian tribes from prohibiting the transportation or shipment of hemp or hemp products produced in accordance with that law through the state or territory of the Indian tribe, as applicable. Because we rely on a nationwide broker-distributor-retailer network whereby brokers represent our products to distributors and retailers in turn sell our product to consumers in the fifty states and the District of Columbia, we may be subject to many different state-based regulatory regimens for hemp, all of which could require us to incur substantial costs associated with compliance requirements. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our operations, as well as adverse publicity and potential harm to our reputation. We and our suppliers and vendors must take significant enterprise risk management steps to ensure that there is no commingling of hemp and marihuana, as "marihuana" is defined in the federal Controlled Substances Act. Marihuana remains subject to the Controlled Substances Act and related regulations.

Furthermore, if we decide to produce, market and sell beverages infused with hemp outside of the United States, we will be subject to applicable laws and regulations in those non-U.S. jurisdictions, which would require us to expend significant costs associated with compliance.

In addition, it is possible that additional regulations may be enacted in the future in the United States and globally that will be directly applicable to our current and proposed product offerings infused with hemp. We cannot predict the nature of any future laws, regulations, interpretations, or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

FDA's current position is that the sale of food and beverages that contain hemp-derived cannabidiol or CBD is prohibited under the Federal Food, Drug, and Cosmetic Act; therefore, if we decide to produce, market and/or sell beverages infused with hemp-derived cannabidiol, we may be subject to federal enforcement actions which could adversely affect our business and harm our reputation and brand

The FDA has jurisdiction over drugs and foods that contain CBD, including CBD derived from hemp. Under the Federal Food, Drug and Cosmetic Act or the FDCA, it is a prohibited act to introduce or deliver for introduction into interstate commerce any food (which the FDCA defines to include beverages) that is adulterated. The FDCA therefore prohibits the introduction or delivery for introduction of a food that contains CBD, because the FDCA deems a food to be adulterated if it bears or contains any food additive that is unsafe and CBD is presently an unsafe food additive under the FDCA and FDA regulations. The FDCA also states that it is a prohibited act to introduce or deliver for introduction into interstate commerce any food to which an FDA-approved drug has been added, unless certain exceptions are met. The FDA has approved a drug in which CBD is an active ingredient, and the agency has stated that based on available evidence, none of the exceptions apply to CBD. One of the exceptions addresses whether the drug was marketed in food before the FDA approved the drug and before the institution of any substantial clinical investigations involving the drug. The FDA has stated that interested parties may present the agency with evidence that has bearing on the issue of whether CBD was marketed in food before the FDA approved the CBD drug in 2018 or before the institution of substantial clinical investigations involving the CBD drug. FDA's current position is that this provision of the FDCA also prohibits the introduction or delivery for introduction into interstate commerce of a food to which CBD has been added.

Congress may decide to amend the FDCA to permit the use of hemp-derived CBD in food. The FDA may also decide to issue regulations or guidance that address the use of hemp-derived CBD in food or use its enforcement discretion with respect to hemp-derived CBD products. On May 31, 2019, the FDA held a public hearing, as well as providing a broader opportunity for written public comment, for stakeholders to share their experiences and challenges with CBD products, including information and views related to product safety. Based on this hearing, any legislative or regulatory action could take years to implement or finalize and may not include provisions that would enable our company to produce, market and/or sell hemp beverages that contain hemp-derived CBD. We risk becoming subject to adverse publicity and costly federal enforcement actions should we decide to produce, market and/or sell beverages infused with hemp-derived CBD in the United States. We may be required to expend significant resources in defending our company from such actions which could adversely affect our business and results of operations and divert the attention of management. We may also incur the risk of sustaining considerable damage to our reputation and brand should we become party to federal enforcement actions resulting from the production, marketing or sale of hemp-derived CBD infused beverages.

Accordingly, if Congress amended federal laws or FDA issued regulations or guidance permitting the use of hemp-derived CBD in food or announcing the agency's decision to use its enforcement discretion with respect to hemp-derived CBD products, we and our suppliers and vendors would be required to implement significant enterprise risk management measures to ensure that there is no commingling of CBD derived from marihuana, as "marihuana" is defined in the federal Controlled Substances Act, with any future commercial supply of hemp-derived CBD that is used to produce our products.

The FDA could force the removal of our products from the U.S. market.

The FDA has broad authority over the regulation of our products. The FDA could, among other things, force us to remove our products from the U.S. market, levy fines or change their regulations on advertising. Any adverse action by the FDA could have a material adverse impact on our business.

Government reviews, inquiries, investigations, and actions could harm our business or reputation.

As our product portfolio evolves, the regulatory environment with regard to our business is also evolving. Government officials often exercise broad discretion in deciding how to interpret and apply applicable laws or regulations. We may in the future receive formal and informal inquiries from various governmental regulatory authorities, as well as self-regulatory organizations or consumer protection watchdog groups, about our business and compliance with local laws, regulations, or standards. Any determination that our products, operations or activities, or the activities of our employees, contractors or agents, are not in compliance with existing laws, regulations or standards, could adversely affect our business in a number of ways. Even if such an inquiry does not result in the imposition of fines, interruptions to our business, loss of suppliers or other third-party relationships, terminations of necessary licenses and permits, or similar direct results, the existence of the inquiry alone could potentially create negative publicity that could harm our business and/or reputation.

Risks Related to Our Intellectual Property

It is difficult and costly to protect our intellectual property.

Our commercial success will depend in part on obtaining and maintaining trademark protection and trade secret/know-how protection of our products and brands, as well as successfully defending that intellectual property against third-party challenges. We will only be able to protect our intellectual property related to our trademarks and brands to the extent that we have rights under valid and enforceable trademarks, know-how or trade secrets that cover our products and brands. Changes in either the trademark laws or in interpretations of trademark and laws in the U.S. and other countries may diminish the value of our intellectual property. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in our issued trademarks. The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage.

We may face intellectual property infringement claims that could be time-consuming and costly to defend, and could result in our loss of significant rights and the assessment of treble damages.

From time to time we may face intellectual property claims from third parties. Some of these claims may lead to litigation. The outcome of any such litigation can never be guaranteed, and an adverse outcome could affect us negatively. For example, were a third party to succeed on an infringement claim against us, we may be required to pay substantial damages (including up to treble damages if such infringement were found to be willful). In addition, we could face an injunction, barring us from conducting the allegedly infringing activity. The outcome of the litigation could require us to enter into a license agreement which may not be under acceptable, commercially reasonable, or practical terms or we may be precluded from obtaining a license at all. It is also possible that an adverse finding of infringement against us may require us to dedicate substantial resources and time in developing non-infringing alternatives, which may or may not be possible.

Finally, we may initiate claims to assert or defend our own intellectual property against third parties. Any intellectual property litigation, irrespective of whether we are the plaintiff or the defendant, and regardless of the outcome, is expensive and time-consuming, and could divert our management's attention from our business and negatively affect our operating results or financial condition.

We may be subject to claims by third parties asserting that our employees or our company has misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Although we try to ensure that our company, our employees, and independent contractors (suppliers/vendors/distributors) do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that our company, our employees, or independent contractors (suppliers/vendors/distributors) have used or disclosed intellectual property in violation of others' rights. These claims may cover a range of matters, such as challenges to our trademarks, as well as claims that our employees or independent contractors are using trade secrets or other proprietary information of any such employee's former employer or independent contractors. As a result, we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to management.

Risks Related to Our Stock

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

We are authorized to issue up to 200,000,000 shares of our common stock and 100,000,000 shares of our preferred stock, of which 89,761,122 shares of our common stock are issued and outstanding as of July 1, 2021. Our board of directors has the authority to cause us to issue additional shares of our 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 Nasdaq Capital Market or Canadian Securities Exchange may be volatile, which could depress the market price of the shares of our common stock and make it difficult for our stockholders to resell their shares.

The shares of our common stock are listed on the Nasdaq Capital Market and the Canadian Securities Exchange. Trading of our common stock may experience 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 the shares of our common stock for reasons unrelated to operating performance.

A prolonged and substantial decline in the price of the shares of our common stock could affect our ability to raise further working capital, thereby adversely impacting our ability to continue operations.

A prolonged and substantial decline in the price of the shares of our common stock could result in a reduction in the liquidity of the shares 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 the shares 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 shares of our common stock. If we are unable to raise the funds we require for all our planned operations and to meet our existing and future financial obligations, 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 we may go out of business.

Because we do not intend to pay any cash dividends on the shares of our 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 the shares of our common stock in the near future. The declaration, payment and amount of any future dividends will be made at the discretion of our 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our principal offices are located at 8541 E. Anderson Drive, Suite 100, Scottsdale, AZ 85255 with a size of 9,166 square feet leased from a third party through September 30, 2023 at the current rate of \$10,082.60 per month. We believe that the condition of our principal offices is satisfactory, suitable and adequate for our current needs.

We do not own any real estate or other property used in the operation of our current business.

ITEM 3. 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.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

Our common stock has been listed for trading on the Nasdaq Capital Market since December 10, 2018 and on the Canadian Securities Exchange since May 19, 2020 under the symbol "WTER". From April 25, 2018 to May 15, 2020, our common stock was listed on the TSX Venture Exchange.

Transfer Agents

Our shares of common stock are issued in registered form. The transfer agent and registrar for our common stock is Transshare Corporation, located at Bayside Center 1, 17755 US Highway 19 N, Suite 140, Clearwater Florida, 33764. The co-transfer agent for our common stock is TSX Trust Company, located at 650 West Georgia Street, Suite 2700, Vancouver, British Columbia V6B 4N9, Canada.

Holders of Common Stock

As of July 1, 2021, there were approximately 38 holders of record of our common stock. As of such date 89,761,122 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.

Securities Authorized for Issuance under Equity Compensation Plans

The following table summarizes certain information regarding our equity compensation plans as of March 31, 2021.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (2013 Equity Incentive Plan) ⁽¹⁾⁽²⁾	2,033,900	\$1.11	Nil
Equity compensation plans not approved by security holders (2018 Stock Option Plan) ⁽³⁾	Nil	n/a	2,737,612
Equity compensation plans approved by security holders (2020 Equity Incentive Plan) ⁽⁴⁾	Nil	n/a	10,650,000
Total	2,033,900	\$1.11	13,387,612

(1)Effective October 7, 2013, our board of directors adopted and approved our 2013 equity incentive plan. The plan was approved by a majority of our stockholders on October 7, 2013. On October 31, 2014, our board of directors amended our 2013 equity incentive plan to, among other things, increase the number of shares of stock of our company available for the grant of awards under the plan from 20,000,000 shares to 35,000,000 shares. The purpose of the plan is to (a) enable our company and any of our affiliates to attract and retain the types of employees, consultants and directors who will contribute to our company's long range success; (b) provide incentives that align the interests of employees, consultants and directors with those of the stockholders of our company; and (c) promote the success of our company's business. Effective as of December 30, 2015, we effected a 50-for-1 reverse stock split of our authorized and issued and outstanding shares of common stock which decreased the number of shares of stock of our company available for the grant of awards under the plan from 35,000,000 shares to 700,000 shares. Effective as of January 20, 2016, our board of directors amended the plan to increase the number of shares of stock of our company available for the grant of awards under the plan from 700,000 to 7,700,000. The plan enabled us to grant awards of a maximum of 7,700,000 shares of our stock and awards that may be granted under the plan included incentive stock options, non-qualified stock options, stock appreciation rights, restricted awards and performance compensation awards.

(2)Our 2013 equity incentive plan has been suspended in connection with our application to list our common stock on the TSX Venture Exchange, but the suspension does not affect any awards, including any stock options, already granted under the plan.

(3) On April 25, 2018, our board of directors adopted the 2018 Stock Option Plan, pursuant to which we may grant stock options to acquire up to a total of 5,171,612 shares of our common stock, including any other shares of our common stock which may be issued pursuant to any other stock options granted by our company outside the plan. We adopted the plan in connection with our application to list our common stock on the TSX Venture Exchange. The purpose of the plan is to retain the services of valued key employees and consultants of our company and such other persons as our board of directors selects, and to encourage such persons to acquire a greater proprietary interest in our company, thereby strengthening their incentive to achieve the objectives of our stockholders, and to serve as an aid and inducement in the hiring of new employees and to provide an equity incentive to consultants and other persons selected by our board of directors.

(4) Effective February 28, 2020 our board of directors adopted and approved our 2020 equity incentive plan, pursuant to which we may grant stock options to acquire up to a maximum of 9,000,000 shares of our common stock and non-stock option awards to acquire up to a maximum of 1,650,000 shares of our common stock. The plan was approved by a majority of our stockholders on March 30, 2020. On April 28, 2020, our board of directors amended our 2020 equity incentive plan to remove the requirement that the company obtain the acceptance of the plan by the TSX Venture Exchange prior to granting any awards under the plan. The purpose of our 2020 equity incentive plan is to: (i) enable our company and any affiliate of our company to attract and retain the types of employees, consultants, directors and such other persons as the plan administrator may select who will contribute to our company's long range success; (ii) provide incentives that align the interests of employees, consultants, directors and such other persons as the plan administrator may select with those of our company's stockholders; and (iii) promote the success of our company's business. Under the plan, either stock options or non-stock option awards may be granted. Non-stock option awards means a right granted to an award recipient under the plan, which may include the grant of stock appreciation rights, restricted awards, performance compensation awards or other equity-based awards.

Recent Sales of Unregistered Securities

Since the beginning of our fiscal year ended March 31, 2021, we have not sold any equity securities that were not registered under the Securities Act of 1933 that were not previously reported in a quarterly report on Form 10-Q or in a current report on Form 8-K.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this annual report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this annual report on Form 10-K.

Overview

Founded in 2012, The Alkaline Water Company (NASDAQ and CSE: WTER) is headquartered in Scottsdale, Arizona. Its flagship product, Alkaline88®, is a leading premier alkaline water brand available in bulk and single-serve sizes along with eco-friendly aluminum packaging options. With its innovative, state-of-the-art proprietary electrolysis process, Alkaline88® delivers perfect 8.8 pH balanced alkaline drinking water with trace minerals and electrolytes and boasts our trademarked label 'Clean Beverage.' Quickly being recognized as a growing lifestyle brand, Alkaline88® launched A88 Infused™ in 2019 to meet consumer demand for flavor-infused products. A88 Infused™ flavored water is available in six unique all-natural flavors, with new flavors coming soon. Additionally, in 2020, the Company launched A88 Infused Beverage Division Inc., which includes the Company's CBD water and flavor-infused water. For the Company's topical and ingestible offerings, A88 Infused Products Inc. includes both the Company's lab-tested full-spectrum hemp salves, balms, lotions, essential oils, and bath salts, along with broad-spectrum hemp, powder packs, oil tinctures, capsules, and gummies, under the brand name "A88CBD™". Our hemp-derived CBD products are produced and sold in compliance with the Agriculture Improvement Act of 2018 (also known as the 2018 Farm Bill, Public Law 115-334).

Our bottled alkaline water product is presently available in over 75,000 stores in all 50 states, the District of Columbia, the Caribbean and in Mexico. We distribute our product through several channels. We sell through large national distributors (UNFI, KeHE, C&S, and Core-Mark), which together represent over 150,000 retail outlets. We also sell our products directly to retail clients, including convenience stores, natural food products stores, large ethnic markets and national retailers and through Direct Store Distributors in selected markets, including Mahaska, Nevada Beverage, and Hensley, covering Nevada, Arizona, and Midwest region. Combined, they service over 16,000 customers in five states. Each one carries our full line of non-CBD waters. Some examples of retail clients are: Walmart, CVS, Rite-Aid Family Dollar, Food Lion, Albertson's/Safeway, Kroger companies, Schnucks, Smart & Final, Jewel-Osco, Sprouts, Bashas', Stater Bros. Markets, Unified Grocers, Bristol Farms, Publix, Vallarta, Superior Foods, Ingles, Shaw's, Raley's, Harris Teeter, Festival Foods, HEB and Brookshire's. The majority of our sales to retail clients are through brokers and distributors, however, sales to our larger retail clients are often direct to the client's own warehouse distribution network. Our CBD products are presently available for purchase on our E-commerce websites, www.a88cbd.com and www.a88hemp.com, in addition to a growing number of brick-and-mortar retail locations.

Our operating subsidiary, Alkaline 88, LLC, operates primarily as a marketing, distribution, and manufacturing company for our alkaline bottled water products. It has entered into co-packing agreements with eight different bottling companies located in Virginia, Georgia, California, Texas, Nevada, and Arizona to act as co-packers for our product. Our current capacity at all plants exceeds approximately \$14.0 million per month wholesale.

Our component materials are readily available through multiple vendors. Our principal suppliers are Vav Plastics Inc., Amcor Inc. Smurfit, and Goodpac.

A88 Infused Beverage Division, Inc.

In August 2018, we formed A88 Infused Beverage Division, Inc., or "A88 Infused," a Nevada corporation and a wholly owned subsidiary of our company. A88 Infused's focus is brand extension and product innovations in the wellness water category. We formed A88 Infused to meet what we believe is increasing consumer demand for enhanced and functional (value-added) beverages. We expect A88 Infused to capitalize on this and potential consumer demand with the development and launch of new products focused on growing trends in the beverage space. Our first infused waters products were launched in 2019 and consist of A88 Infused's flavored water products, which are now available in Blood Orange, Lemon, Lemon-Lime, Peach Mango, Watermelon and Raspberry. They are produced in Waco Texas at Waco Bottling. Currently A88 Infused's flavored water products are on thousands of shelves nationwide in many of the same retailers that carry our flagship brand Alklain88 including, 99 Cent Only, Albertson (Randalls, Safeway), Associated Foods, Associated Wholesale Grocers, B&G Wholesale, Gelson's Market, HEB, HY-VEE, Ingles, Save A Lot Super Store Industries, Supervalu, Wakefern, and national distributors UNFI and KEHE.

A88 Infused Products, Inc.

In September 2019, we formed A88 Infused Products, Inc., or "A88 Products," a Nevada corporation and a wholly-owned subsidiary of our company. A88 Product's focus is brand extension and product innovations in the CBD infused products category, which include ingestibles and topical products. For its ingestibles line, the A88™ Infused Beverage Division Inc. currently produces CBD infused tinctures, gummies, fruit chews and capsules, and will produce CBD infused drinks, beverage shots, and powder packs. For its topicals line, A88™ Infused Products Inc. currently produces salves, balms, lotions, bath bombs, essential oils, and bath-salt all made with lab-tested full-spectrum hemp. We formed A88 Products to meet what we believe is increasing consumer demand for a variety of CBD infused wellness products. We expect A88 Products to capitalize on this and potential consumer demand with the development and launch of new products focused on growing trends in the space. On February 20, 2020, A88 Products began selling its line of CBD infused topical products through ecommerce at www.a88cbd.com. Currently, all of A88 Products' CBD products are available for purchase on its E-commerce websites, www.a88cbd.com and www.a88hemp.com, various third-party ecommerce sites, and a growing number of brick and mortar retail locations throughout the United States. As of the date of this annual report, the FDA has not made a determination that the use of hemp extract in food is safe. The FDA has evaluated Generally Recognized as Safe (GRAS) notices for four hemp seed-derived food ingredients and determined that the agency has no questions that those ingredients are GRAS under their intended conditions of use. In the event the FDA issues appropriate regulations or guidance or determines that it has no questions that hemp extract is GRAS under intended conditions of use that would permit A88 Infused to market hemp extract in water without food additive approval, we expect to produce and sell *A88CBD water* as still water in bottles. We may also decide to market *Soothe™* in any states, districts or territories if applicable laws allow for such sale or if a supplier meets and complies with the FDA's GRAS regulations with respect to a self-certification regarding the safety and GRAS status of the use of hemp extract. We expect to produce *A88CBD water* as a low calorie or no calorie, hemp extract-infused water in three flavors and 5 functional formulas (Relax, Revive, Recover etc.). We may change the composition of our planned hemp-extract-infused product as necessary to comply with federal, state or local laws, regulations or guidance.

Cash Flows

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 satisfaction of liabilities in the normal course of business. We have not yet established an ongoing source of revenues sufficient to cover our operating costs, however, we believe cash on hand, plus anticipated warrant exercises, our line of credit, and the Sales Agreement will adequately fund our operations and capital needs for the next 12 months. Our ability to continue as a going concern is dependent on our company obtaining additional capital to fund operating losses until we become profitable. If we are unable to obtain additional capital, we could be forced to significantly curtail or cease operations.

COVID-19

In December 2019, a novel strain of COVID-19 was reported in China. Since then, the COVID-19 has spread globally including across North America and the United States. The spread of COVID-19 from China to other countries has resulted in the World Health Organization (WHO) declaring the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease, on March 11, 2020. Specifically, we caution that our business could be materially and adversely affected by the risks, or the public perception of the risks, related to the outbreak of COVID-19. To date, we have managed to operate successfully throughout the pandemic without any material disruptions to our supply chain. Although retailers which carry our products may be considered essential businesses and therefore be allowed to remain operational, they may experience significantly reduced demand. The risk of a pandemic, or public perception of the risk, could cause customers to avoid public places, including retail properties, and could cause temporary or long-term disruptions in our supply chains and/or delays in the delivery of our inventory to our customers. Further, such risks could also adversely affect retail customers' financial condition, resulting in reduced spending on our products, which are marketed as premium products. "Shelter-in-place" or other such orders by governmental entities could also disrupt our operations, if our employees or the employees of our sourcing partners who cannot perform their responsibilities from home, are not able to report to work. Risks related to an epidemic, pandemic or other health crisis, such as COVID-19, could also lead to the complete or partial closure of one or more of our co-packing facilities or operations of our sourcing partners.

Results of Operations

Years Ended March 31, 2021 and March 31, 2020

The following summary of our results of operations should be read in conjunction with our audited consolidated financial statements for the years ended March 31, 2021 and March 31, 2020 which are included herein:

	<u>Year Ended</u> <u>March 31, 2021</u>	<u>Year Ended</u> <u>March 31, 2020</u>
Revenue	\$ 46,069,121	\$ 38,429,505
Cost of Goods Sold	29,622,361	25,306,324
Gross profit	16,446,760	13,123,181
Net Loss (after operating expenses and other expenses)	(16,409,520)	(14,826,821)

Revenue and Cost of Goods Sold

We had revenue from sales of our product for the year ended March 31, 2021 of \$46,069,121 as compared to \$38,429,505 for the year ended March 31, 2020, an increase of 20%, generated by sales of our alkaline water. The increase in sales is due to the expanded distribution of our products to additional retailers throughout the country. We distribute our product through several channels. We sell through large national distributors (UNFI, KeHe, C&S, and Core-Mark), which together represent over 150,000 retail outlets. We also sell our product directly to retail clients, including convenience stores, natural food products stores, large ethnic markets and national retailers. Some examples of retail clients are: Walmart, CVS, Family Dollar, Albertson/Safeway, Kroger companies, Schnucks, Smart & Final, Jewel-Osco, Sprouts, Bashas', Stater Bros. Markets, Unified Grocers, Bristol Farms, Publix, Vallarta, Superior Foods, Ingles, Shaw's, Raley's, Harris Teeter, Festival Foods, HEB and Brookshire's.

Cost of goods sold is comprised of production costs, shipping and handling costs. For the year ended March 31, 2021, we had cost of goods sold of \$29,622,361, or 64% of net sales, as compared to cost of goods sold of \$25,306,324, or 66% of net sales, for the year ended March 31, 2020. The decrease in cost of goods sold as a percentage of net sales compared to the same period last year was due primarily due to the decreased raw materials costs.

Expenses

Our operating expenses for the years ended March 31, 2021 and March 31, 2020 are as follows:

	Year Ended March 31, 2021	Year Ended March 31, 2020
Sales and marketing expenses	\$ 16,420,520	\$ 16,354,704
General and administrative expenses	15,860,147	11,146,540
Total operating expenses	<u>\$ 32,280,667</u>	<u>\$ 27,501,244</u>

During the year ended March 31, 2021, our total operating expenses were \$32,280,667 as compared to \$27,501,244 for the year ended March 31, 2020. General and administrative expenses increased by approximately \$4.6 million primarily resulting from an approximately \$1.8 million increase in professional fees, approximately \$2.3 million increase in non-cash stock compensation and approximately \$0.8 million increase in wage and related expenses.

For the year ended March 31, 2021, the total of approximately \$15.8 million of general and administrative expenses consisted primarily of approximately \$7.7 million of professional fees, media fees and legal fees, approximately \$3.1 million in wage expense and approximately \$3.3 million in stock compensation expense, relating to stock option expense and stock expense relating to endorsement.

For the year ended March 31, 2020, the total of approximately \$11.1 million of general and administrative expenses consisted primarily of approximately \$5.8 million of professional fees, media fees and legal fees, approximately \$2.2 million in wage expense and approximately \$1.7 million in stock compensation expense, relating to stock option expense and stock expense relating to endorsement.

Liquidity and Capital Resources

Working Capital

	At March 31, 2021	At March 31, 2020
Current assets	\$ 24,830,609	\$ 14,183,215
Current liabilities	13,244,041	13,983,663
Working capital	<u>\$ 10,307,218</u>	<u>\$ 199,552</u>

Current Assets

Current assets as of March 31, 2021 and March 31, 2020 primarily relate to \$9,130,956 and \$4,561,682 in cash which increased mainly due to the approximately \$10 million of net proceeds from a private placement in March 2021; \$8,458,176 and \$4,917,081 in accounts receivable due to increased days outstanding due to COVID-19; and \$4,407,720 and \$2,919,860 in inventory, resulting from additional inventory relating to support increased sales.

Current Liabilities

Current liabilities as of March 31, 2021 and March 31, 2020 primarily relate to \$7,055,348 and \$5,406,541 in accounts payable, revolving financing of \$4,324,412 and \$7,291,217, and accrued expenses of \$1,306,106 and \$1,186,516, respectively.

Cash Flow

Our cash flows for the years ended March 31, 2021, and March 31, 2020 are as follows:

	Year Ended March 31, 2021	Year Ended March 31, 2020
Net Cash used in operating activities	\$ (14,280,238)	\$ (13,642,636)
Net Cash used in investing activities	(585,393)	(488,557)
Net Cash provided by financing activities	19,434,905	7,660,424
Net increase (decrease) in cash and cash equivalents	<u>\$ 4,569,274</u>	<u>\$ (6,470,769)</u>

Operating Activities

Net cash used in operating activities was \$14,280,238 for the year ended March 31, 2021, as compared to \$13,642,636 used in operating activities for the year ended March 31, 2020. The increase in net cash used was primarily due to the increase in changes to working capital accounts.

Investing Activities

Net cash used in investing activities was \$ 585,393 for the year ended March 31, 2021, as compared to \$488,557 used in investing activities for the year ended March 31, 2019. The increase in net cash used was due to increase of purchase of fixed assets.

Financing Activities

Net cash provided by financing activities for the year ended March 31, 2021 was \$19,434,905, as compared to \$7,660,424 for the year ended March 31, 2020. The increase in net cash provided by financing activities was due to proceeds from the sale of common stock and exercise of warrants.

Cash Requirements

We believe cash on hand, plus anticipated warrant exercises, our line of credit and the Sales Agreement will adequately fund our current planned operations and capital needs for the next 12 months. However, if our current plans change or are accelerated or we choose increase our production capacity, we may seek to sell additional equity or debt securities or obtain additional credit facilities, including seeking investments from strategic investors. The sale of additional equity securities will result in dilution to our stockholders. The incurrence of indebtedness will result in increased debt service obligations and could require us to agree to operating and financial covenants that could restrict our operations or modify our plans to grow the business. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, will limit our ability to expand our business operations and could harm our overall business prospects.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our stockholders.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
The Alkaline Water Company Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of The Alkaline Water Company Inc. (the Company) as of March 31, 2021 and 2020, and the related statements of income, comprehensive income, stockholders' deficit, and cash flows for each of the years in the two-year period ended March 31, 2021, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended March 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

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 not generated sufficient revenues to cover the operating costs as of March 31, 2021, 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.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Accrued Promotional Allowances – Refer to Note 1 to the financial statements

Critical Audit Matter Description

We identified promotional allowances as a critical audit matter because of the extent and subjective nature of management judgment required with respect to estimating consumer and distributor participation and retail customer promotional claims.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures over promotional allowances, with respect to management's judgment regarding levels of consumer and

distributor participation and retail customer promotional claims, included the following, among others:

- We selected a sample of promotional allowances recorded for specific distributors and retail customers and (1) developed an expectation of the accrual using current-year claim and payment data, and/or (2) vouched known claim submissions, unpaid as of period-end, to underlying supporting documentation.
- We tested the promotional expenditure amount recorded as a reduction to net sales and assessed the reasonableness of management's estimate by developing an expectation of the amount, based on historical promotional expenditure amounts recorded as a percentage of sales, and compared our expectation to the recorded promotional expenditure amount.
- We performed inquiries with the Company's sales and marketing personnel to corroborate our understanding of new and existing promotional programs that may alter the relationship between gross billings and promotional allowances, as such programs are considered by management when estimating future promotional claims.
- We evaluated management's ability to estimate promotional allowances by comparing the actual promotional allowances subsequently paid to the original estimates of management.

/s/ Prager Metis CPAs, LLC

We have served as the Company's auditor since 2019
Basking Ridge, NJ
June 2, 2021

THE ALKALINE WATER COMPANY INC.

CONSOLIDATED BALANCE SHEETS

	March 31, 2021	March 31, 2020
ASSETS		
Current assets		
Cash	\$ 9,130,956	\$ 4,561,682
Accounts receivable, net	8,458,176	4,917,081
Inventory	4,407,720	2,919,860
Prepaid expenses	1,037,961	1,697,199
Operating lease right-of-use asset - current portion	236,446	87,393
Total current assets	23,271,259	14,183,215
Fixed assets - net	1,010,183	1,422,581
Operating lease right-of-use asset	269,167	-
Total assets	\$ 24,550,609	\$ 15,605,796
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 7,055,348	\$ 5,406,541
Accrued expenses	1,306,106	1,186,516
Revolving financing	4,324,412	7,291,217
PPP loan payable	328,570	-
Operating lease liability - current portion	229,605	99,389
Total current liabilities	13,244,041	13,983,663
Operating lease liability	292,582	-
Total liabilities	13,536,623	13,983,663
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock, \$0.001 par value, 100,000,000 shares authorized, nil issued and outstanding on March 31, 2021 and 3,400,000 Series D issued and outstanding on March 31, 2020	-	3,400
Common stock, Class A - \$0.001 par value, 200,000,000 shares authorized 87,465,178 and 45,585,592 shares issued and outstanding at March 31, 2021 and March 31, 2020, respectively	87,464	45,585
Additional paid in capital	80,857,742	54,094,848
Stock Payable	-	1,000,000
Accumulated deficit	(69,931,220)	(53,521,700)
Total stockholders' equity	11,013,986	1,622,133
Total liabilities and stockholders' equity	\$ 24,550,609	\$ 15,605,796

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE ALKALINE WATER COMPANY INC.
CONSOLIDATED STATEMENT OF OPERATIONS

	For the Year Ended	
	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Revenue	\$ 46,609,121	\$ 38,429,505
Cost of Goods Sold	<u>29,622,361</u>	<u>25,306,324</u>
Gross Profit	16,446,760	13,123,181
Operating expenses		
Sales and marketing expenses	16,420,520	16,354,704
General and administrative	<u>15,860,147</u>	<u>11,146,540</u>
Total operating expenses	<u>32,280,667</u>	<u>27,501,244</u>
Total operating loss	<u>(15,833,907)</u>	<u>(14,378,063)</u>
Other expense		
Interest expense	<u>(575,613)</u>	<u>(448,758)</u>
Total other expense	<u>(575,613)</u>	<u>(448,758)</u>
Net loss	<u>\$ (16,409,520)</u>	<u>\$ (14,826,821)</u>
LOSS PER SHARE (Basic and Diluted)	<u>\$ (0.24)</u>	<u>\$ (0.34)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING (Basic and Diluted)	<u>69,502,652</u>	<u>43,016,473</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE ALKALINE WATER COMPANY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock		Additional Paid-in Capital	Stock Payable	Accumulated Deficit	Total
	Number	Par Value	Number	Par Value				
Balance, March 31, 2019	5,300,000	\$ 5,300	39,573,512	\$ 39,573	\$ 50,006,919	\$ -	\$ (38,694,879)	\$ 11,356,913
Preferred Stock Conversion	(1,900,000)	(1,900)	1,900,000	1,900				-
Common shares issued upon exercise of warrants			3,974,000	3,974	2,496,512			2,500,486
Stock Compensation expense					1,591,555			1,591,555
Stock Option exercise			138,080	138	(138)			-
Stock Payable						1,000,000		1,000,000
Net (loss)							(14,826,821)	(14,826,821)
Balance, March 31, 2020	<u>3,400,000</u>	<u>\$ 3,400</u>	<u>45,585,592</u>	<u>\$ 45,585</u>	<u>\$ 54,094,848</u>	<u>\$ 1,000,000</u>	<u>\$ (53,521,700)</u>	<u>\$ 1,622,133</u>
Preferred Stock Conversion	(3,400,000)	(3,400)	3,400,000	3,400				-
Common shares issued in connection with offerings			23,717,818	23,717	15,875,828	(1,000,000)		14,899,545
Common shares issued upon exercise of warrants			13,293,728	13,294	7,101,592			7,114,886
Common shares issued to non- employees and employees			1,115,801	1,116	1,324,181			1,325,297
Stock Compensation expense					2,400,165			2,400,165
Stock Option exercise			352,239	352	61,128			61,480
Net (loss)							(16,409,520)	(16,409,520)
Balance, March 31, 2021	<u>-</u>	<u>\$ -</u>	<u>87,465,178</u>	<u>\$ 87,464</u>	<u>\$ 80,857,742</u>	<u>\$ -</u>	<u>\$ (69,931,220)</u>	<u>\$ 11,013,986</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE ALKALINE WATER COMPANY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended	
	March 31, 2021	March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (16,409,520)	\$ (14,826,821)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	997,791	1,011,241
Stock compensation expense	3,725,463	1,591,555
Right-of-use asset amortization	4,578	11,996
Changes in operating assets and liabilities:		
Accounts receivable	(3,541,095)	(1,848,900)
Inventory	(1,487,860)	(861,848)
Prepaid expenses and other current assets	659,238	(1,318,500)
Accounts payable	1,648,807	2,507,583
Accrued expenses	122,360	91,058
	(14,280,238)	(13,642,636)
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(585,393)	(488,557)
	(585,393)	(488,557)
CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayment of) revolving financing	(2,966,805)	4,159,938
Proceeds from promissory note payable	325,800	-
Proceeds from sale of common stock, net	14,899,545	-
Proceeds from stock payable	-	1,000,000
Proceeds for the exercise of warrants, net	7,114,886	2,500,486
Proceeds for the exercise of stock options	61,479	-
	19,434,905	7,660,424
CASH PROVIDED BY FINANCING ACTIVITIES		
NET CHANGE IN CASH	4,569,274	(6,470,769)
CASH AT BEGINNING OF PERIOD	4,561,682	11,032,451
CASH AT END OF PERIOD	\$ 9,130,956	\$ 4,561,682
INTEREST PAID	\$ 526,724	\$ 350,327
TAXES PAID	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE of NON-CASH INVESTING and FINANCING ACTIVITIES		
OPERATING LEASE RIGHT OF USE ASSET	\$ 646,550	\$ -
OPERATING LEASE LIABILITY	\$ 653,827	\$ -

ISSUANCE OF COMMON SHARES TO SETTLE STOCK PAYABLE

\$ 1,000,000 _____

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE ALKALINE WATER COMPANY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company offers retail consumers bottled alkaline water in 500-milliliter, 700-milliliter, 1-liter, 1.5 -liter, 2,-liter, 3-liter and 1-gallon sizes, all of which is produced through an electrolysis process that uses specialized electronic cells coated with a variety of rare earth minerals to produce 8.8 pH drinking water without the use of any manmade chemicals. In addition to its bottled alkaline water, the Company also offers retail consumers flavor infused bottled water in the 500-milliliter size in six flavors: Raspberry, Watermelon, Lemon, Lemon Lime, Peach Mango and Blood Orange. The Company recently introduced and began selling hemp-derived CBD topical and ingestible products under the brand name "A88CBD™". Our hemp-derived CBD products are produced and sold in compliance with the Agriculture Improvement Act of 2018 (also known as the 2018 Farm Bill, Public Law 115-334).

Basis of presentation

The consolidated financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in U.S. dollars, have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission.

Principles of consolidation

The consolidated financial statements include the accounts of The Alkaline Water Company Inc. (a Nevada Corporation) and its five wholly owned subsidiaries: A88 Infused Beverage Division Inc. (a Nevada Corporation), A88 International, Inc. (a Nevada Corporation), A88 Infused Products Inc. (a Nevada Corporation), AWC Acquisition Company Inc. (a Nevada corporation), and Alkaline 88, LLC (an Arizona Limited Liability Company). All significant intercompany balances and transactions have been eliminated. The Alkaline Water Company Inc., A88 Infused Beverage Division, Inc., A88 Infused Products Inc., A88 International, Inc., AWC Acquisition Company Inc., and Alkaline 88, LLC 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. As of the balance sheet date and periodically throughout the period, the Company has maintained balances in various operating accounts in excess of federally insured limits. In addition, the Company has maintained balances in its attorney's client trust account in both C\$ and US\$. The Company has not experienced any losses in such accounts and periodically evaluates the credit worthiness of the financial institutions and has determined the credit exposure to be negligible. The Company had \$9,130,956 and \$4,561,682 in cash at March 31, 2021 and March 31, 2020, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

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

Accounts receivable consisted of the following as of March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Trade receivables, net	\$ 8,798,176	\$ 4,957,081
Less: Allowance for doubtful accounts	<u>(340,000)</u>	<u>(40,000)</u>
Net accounts receivable	<u>\$ 8,458,176</u>	<u>\$ 4,917,081</u>

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. The accounts receivable balance is pledged as collateral for the Company's revolving financing as disclosed in Note 4.

Inventory

Inventory represents raw materials and finished goods 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. The inventory balance is pledged as collateral for the Company's revolving financing as disclosed in Note 4.

As of March 31, 2021 and 2020, inventory consisted of the following:

	<u>2021</u>	<u>2020</u>
Raw materials	\$ 3,055,951	\$ 1,788,868
Finished goods	<u>1,351,769</u>	<u>1,130,992</u>
Total inventory	<u>\$ 4,407,720</u>	<u>\$ 2,919,860</u>

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 (half-life convention) method over the estimated useful life of the assets or the lease term, whichever is shorter.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Accounting Standards Codification ("ASC") 718. Stock-based compensation is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite 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 expenses for the years ended March 31, 2021 and 2020 were \$770,856 and \$303,346 respectively

Revenue Recognition

We recognize revenue when our performance obligations are satisfied. Our primary performance obligation (the distribution and sale of beverage products) is satisfied upon the delivery of products to our customers, which is also when control is transferred. The Company does not accept returns due to the nature of the product. However, the Company will provide credit to our customers for damaged goods. The Company provides credit to its customers which typically requires payment within 30 days. As an incentive to pay early the Company also typically provides a 2% discount if the customer pays within 10 days. The Company estimates the amount of the discount that the customer is likely to take and records it as reduction in revenue. The amounts are not considered material. The Company's bottled water product represents substantially all revenue for all periods presented.

Revenue consists of the gross sales price, less variable consideration, including estimated allowances for which provisions are made at the time of sale, and less certain other discounts and allowances. Shipping and handling charges that are billed to customers are included as a component of revenue. Costs incurred by the Company for shipping and handling charges are included in selling expenses and amounted to \$7,432,077 and \$5,799,766 for the years ended March 31, 2021 and 2020, respectively.

Concentration Risks

We have 3 major customers that together account for 41% (16%, 13% and 12%, respectively) of accounts receivable at March 31, 2021, and 2 customers that together account for 40% (23% and 17%, respectively) of the total revenues earned for the year ended March 31, 2021. The Company has 3 vendors that accounted for 56% (25%, 20%, and 11% respectively) of purchases for the year ended March 31, 2021.

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 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.

For the year ended March 31, 2021, and 2020, respectively, the Company had 6,259,567 shares relating to options and no shares relating to options, 6,889,680 shares relating to warrants and no shares relating to warrants and no shares relating to convertible preferred shares that were not included in the diluted earnings per share calculation because they were antidilutive.

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.

The company does not use derivative financial instruments to hedge exposures to cash-flow, market or foreign-currency risks.

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the company. Unobservable inputs are inputs that reflect the company's assumptions of what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on reliability of the inputs as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

As of March 31, 2021 and 2020, the company did not have any financial instruments that are measured on a recurring basis as Level 1, 2 or 3.

Correction of Previously Issued Financial Statements

The accompanying consolidated statement of operations for the year ended March 31, 2020 has been corrected for the following: a reclassification of depreciation expense of \$1,003,450 to cost of goods sold related to assets utilized in the production of inventory and an adjustment to reclassify Sales and marketing expenses of \$2,712,938 as a reduction of Revenue as such amounts were related to consideration payable to a customer which the Company determined was not for distinct goods or services received. The Company assessed the materiality of the misstatement quantitatively and qualitatively and has concluded that the correction of the classification error is immaterial to the consolidated financials taken as a whole. As a result of the correction, Cost of Goods Sold increased from \$24,302,874 to \$25,306,324 with a corresponding decrease of Gross Profit from \$16,839,569 to \$13,123,181. The correction had no impact on Total operating loss and Net loss.

Recent Accounting Pronouncements

Recently Adopted Standards. The following recently issued accounting standards were adopted during fiscal year 2020.

The Company adopted ASC 842 on April 1, 2019 which requires lessees to recognize right-of-use ("ROU") asset and lease liability for all leases. The Company elected the package of transition practical expedients for existing contracts, which allowed us to carry forward our historical assessments of whether contracts are or contain leases, lease classification and determination of initial direct costs. The adoption resulted in a lease liability of approximately \$185,510 and a right of use asset of approximately \$165,699. The Company's undiscounted minimum lease commitments under its operating leases are disclosed in Note 8.

The Company adopted ASU 2018-07, "Improvements to Nonemployee Share-Based Payment Accounting" on April 1, 2019. The Company did not issue any of its shares to nonemployees in exchange for goods or services during the year ended March 31, 2020.

Standards Required to be Adopted in Future Years.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amends the guidance on the impairment of financial instruments. This update adds an impairment model (known as the current expected credit losses model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes, as an allowance, its estimate of expected credit losses. In November 2018, ASU 2016-13 was amended by ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*. ASU 2018-19 changes the effective date of the credit loss standards (ASU 2016-13) to fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Further, the ASU clarifies that operating lease receivables are not within the scope of ASC 326-20 and should instead be accounted for under the new leasing standard, ASC 842. The Company does not believe that the impact of adopting this standard will have a material effect on its financial statements.

The Company has evaluated other recent accounting pronouncements through June 2020 and believes that none of them will have a material effect on our consolidated financial statements.

NOTE 2 - CASH FLOWS

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates realization of assets and 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, 2021 of (\$69,931,220). In addition, the Company's development activities since inception have been financially sustained through debt and equity financing.

We have not yet established an ongoing source of revenues sufficient to cover our operating costs. There is substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. However, the Company believes that with cash on hand, anticipated warrant exercises and our line of credit will adequately fund our operations and capital needs for the next 12 months.

NOTE 3 - PROPERTY AND EQUIPMENT

Fixed assets consisted of the following at:

	March 31, 2021	March 31, 2020
Machinery and Equipment	\$ 4,812,344	\$ 4,249,398
Office Equipment	55,439	32,992
Less: Accumulated Depreciation	(3,857,600)	(2,859,809)
Fixed Assets, net	<u>\$ 1,010,183</u>	<u>\$ 1,422,581</u>

Depreciation expense for the years ended March 31, 2021 and March 2020 was \$997,791 (of which \$986,428 was part of cost of goods sold and \$11,364 was part of general and administrative expenses) and \$1,011,241 (of which \$1,003,240 was part of cost of goods sold and \$7,791 was part of general and administrative expense), respectively.

NOTE 4 - REVOLVING FINANCING

On February 1, 2017, we entered into a credit and security agreement (the "Credit Agreement") with SCM Specialty Finance Opportunities Fund, L.P. ("SCM" or "Lender"), which subsequently changed its name to CNH Finance Fund I, L.P.

The Credit Agreement provides our company with a revolving credit facility (the "Revolving Facility"), the proceeds of which are to be used to repay existing indebtedness of our company, transaction fees incurred in connection with the Credit Agreement and for the working capital needs of our company.

Under the terms of the Credit Agreement, SCM has agreed to make cash advances to our company in an aggregate principal at any one time outstanding not to exceed the lesser of (i) \$7 million (the "Revolving Loan Commitment Amount") and (ii) the Borrowing Base (defined to mean, as of any date of determination, 85% of net eligible billed receivables plus 65% of eligible unbilled receivables, minus certain reserves).

The Credit Agreement expires on July 1, 2022, unless earlier terminated by the parties in accordance with the terms of the Credit Agreement.

The principal amount of the Revolving Facility outstanding bears interest at a rate per annum equal to (i) a fluctuating interest rate per annum equal at all times to the rate of interest announced, from time to time, within Wells Fargo Bank at its principal office in San Francisco as its "prime rate," plus (ii) 3.25%, payable monthly in arrears. The interest rate as of March 31, 2021 was 7.0%

To secure the payment and performance of the obligations under the Credit Agreement, we granted to SCM a continuing security interest in all of our assets and agreed to a lockbox account arrangement in respect of certain eligible receivables.

The Company agreed to pay to SCM monthly an unused line fee in amount equal to 0.083% per month of the difference derived by subtracting (i) the average daily outstanding balance under the Revolving Facility during the preceding month, from (ii) the Revolving Loan Commitment Amount. The unused line fee will be payable monthly in arrears. We also agreed to pay SCM as additional interest a monthly collateral management fee equal to 0.35% per month calculated on the basis of the average daily balance under the Revolving Facility outstanding during the preceding month. The collateral management fee will be payable monthly in arrears. Upon a termination of the Revolving Facility, we agreed to pay SCM a termination fee in an amount equal to 1% of the Revolving Loan Commitment Amount if the termination occurs before July 1, 2022. We must also pay certain fees in the event that receivables are not properly deposited in the appropriate lockbox account.

The interest rate will be increased by 5% in the event of a default under the Credit Agreement. Events of default under the Credit Agreement, some of which are subject to certain cure periods, include a failure to pay obligations when due, the making of a material misrepresentation to SCM, the rendering of certain judgments or decrees against our company and the commencement of a proceeding for the appointment of a receiver, trustee, liquidator or conservator or filing of a petition seeking reorganization or liquidation or similar relief.

The Credit Agreement contains customary representations and warranties and various affirmative and negative covenants including the right of first refusal to provide financing for our company and the financial and loan covenants, such as the loan turnover rate, minimum EBITDA, fixed charge coverage ratio and minimum liquidity requirements. The Company received a waiver of its loan turnover rate covenant, which was not met, from its Lender to ensure it remained in compliance as of March 31, 2021.

NOTE 5 - PAYCHECK PROTECTION PROGRAM LOAN

On April 29, 2020, Alkaline 88, LLC (the "Borrower"), a wholly owned subsidiary of the Company, signed a promissory note with MidFirst Bank (the "Lender") in the amount of \$325,800, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The promissory note issued by Borrower, matures on April 29, 2022, and bears interest at a rate of 1% per annum. Borrower shall pay principal plus interest accrued under the promissory note in 18 equal monthly installments beginning on October 29, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Company used the entire Loan amount for qualifying expenses. Under the terms of the PPP, the Company expects the entire balance of the Loan to be forgiven since it was entirely used for qualifying expenses as described in the CARES Act.

NOTE 6 - 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 D Convertible Preferred Stock

On May 3, 2017, the Company designated 3,000,000 shares of the authorized and unissued preferred stock of our company as "Series D Preferred Stock" by filing a Certificate of Designation with the Secretary of State of the State of Nevada. On November 2, 2017, The Company increased the number of authorized shares of Series D Preferred Stock in our company to 5,000,000 shares by filing an Amendment to the foregoing Certificate of Designation with the Secretary of State of the State of Nevada. Each share of the Series D Preferred Stock will be convertible, without the payment of any additional consideration by the holder and at the option of the holder, into one fully paid and nonassessable share of our common stock at any time after (i) the Company achieved the consolidated revenue of our company and all of its subsidiaries equal to or greater than \$40,000,000 in any 12 month period, ending on the last day of any quarterly period of our fiscal year; or (ii) a Negotiated Trigger Event, defined as an event upon which the Series D Preferred Stock will be convertible as may be agreed by our company and the holder in writing from time to time.

Effective as of April 1, 2020, the Company issued an aggregate of 3,400,000 shares of our common stock upon conversion of an aggregate of 3,400,000 shares of our Series D Preferred Stock without the payment of any additional consideration. Of the 3,400,000 shares that the Company issued, 1,500,000 shares were issued to Richard A. Wright, our president, chief executive officer and director, 1,000,000 shares were issued to David A. Guarino, our treasurer, secretary, chief financial officer, and director and 900,000 shares were issued to three other individuals.

Common Stock

Private Placement

On March 18, 2020, the Company received \$1 million of the \$3.9 million private placement that the Company completed on April 17, 2020 (see below). Since the private placement was not completed by March 31, 2020, the Company had \$1 million in stock payable on March 31, 2020.

On April 17, 2020, the Company completed a private placement of 9,750,000 units of our securities at a price of \$0.40 per unit for gross proceeds of \$3,900,000, of which \$1,000,000 was received on March 18, 2020 and thus on March 31, 2020, the Company had \$1 million as stock payable. Each unit consisted of one share of our common stock and one share purchase warrant, with each share purchase warrant entitling the holder to acquire one additional share of our common stock at a price of \$0.50 per share for a period of three years. Of the 9,750,000 units the Company issued: (i) 1,250,000 units were issued pursuant to the exemption from registration under the Securities Act of 1933, as amended provided by Section 4(a)(2) and/or Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended to one investor who is an "accredited investor" within the respective meanings ascribed to that term in Regulation D promulgated under the Securities Act of 1933, as amended; and (ii) 8,500,000 units were issued to 5 non-U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933, as amended) in an offshore transaction relying on Regulation S and/or Section 4(a)(2) of the Securities Act of 1933, as amended. In connection with this private placement, the Company agreed with each subscriber who purchased these units to prepare and file a registration statement with respect to (i) the shares of our common stock comprising these units and (ii) the shares of our common stock issuable upon exercise of the share purchase warrants comprising these units with the Securities and Exchange Commission within 90 days following the closing of the private placement and agreed to use commercially reasonable efforts to have the registration statement declared effective by the Securities and Exchange Commission as soon as possible. The Company filed the foregoing registration

statement on Form S-3 with the SEC on May 27, 2020, and the registration statement was declared effective by the SEC on June 8, 2020.

On May 11, 2020, the Company completed a private placement of 4,444,440 subscription receipts at a price of \$0.45 per subscription receipt for total gross proceeds of \$1,999,998, which is being held in escrow until the subscription receipts are converted into common shares. To convert these subscription receipts to common shares in the Company and thereby satisfy the escrow condition, the Company needs the approval of its shareholders by July 15, 2020, or the funds held in escrow will be refunded to the subscribers. On July 14, 2020, after receiving the Shareholder Approval, the Company issued 4,444,440 units pursuant to the foregoing private placement completed on May 11, 2020. Accordingly, gross proceeds of \$1,999,998, previously held in escrow, have been released to our company. Each unit consists of one share of our common stock and one transferable share purchase warrant, for no additional consideration. Each warrant will entitle the holder thereof to acquire one share of our common stock until May 11, 2023, at a price of \$0.55 per share. In the event that our common stock has a closing price on the TSX Venture Exchange (or such other exchange on which our common stock may be traded at such time) of \$1.75 or greater per share for a period of 20 consecutive trading days at any time from the closing date of the private placement, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof (by disseminating a news release advising of the acceleration of the expiry date of the warrants) and, in such case, the warrants will expire on the thirtieth day after the date of such notice. The proceeds of the private placement are expected to be used to fund our company's general working capital and expansion of production capacity. Of the 4,444,440 units the Company issued: (i) 444,443 units were issued pursuant to the exemption from registration under the Securities Act of 1933, as amended provided by Section 4(a)(2) and/or Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended to three investors, each of who is an "accredited investor" within the meaning ascribed to that term in Regulation D promulgated under the Securities Act of 1933, as amended; and (ii) 3,999,997 units were issued to three non-U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933, as amended) in an offshore transaction relying on Regulation S and/or Section 4(a)(2) of the Securities Act of 1933, as amended. In connection with the private placement, the Company agreed with each subscriber who purchased these subscription receipts to prepare and file a registration statement with respect to (i) the shares of our common stock comprising these subscription receipts and (ii) the shares of our common stock issuable upon exercise of the share purchase warrants comprising these subscription receipts with the Securities and Exchange Commission within 30 days following the satisfaction of the Release Condition and agreed to use commercially reasonable efforts to have the registration statement declared effective by the Securities and Exchange Commission as soon as possible. The Company filed the foregoing registration statement on Form S-3 with the SEC on May 27, 2020, and the registration statement was declared effective by the SEC on June 8, 2020.

On March 1, 2021, we completed a private placement of 9,523,378 units of our securities at a price of US\$1.05 per unit for gross proceeds of US\$9,999,546.90. Each Unit is comprised of one share of our common stock, one-half of one Class A common share purchase warrant (each whole Class A common share purchase warrant, a "Class A Warrant") and one-half of one Class B common share purchase warrant (each whole Class B common share purchase warrant, a "Class B Warrant"). Each Class A Warrant will entitle the holder thereof to acquire one Share (each, a "Warrant Share") at \$1.25 per Warrant Share for a period commencing on the date of the closing of the Offering (the "Closing Date") and ending three (3) years following the Closing Date. Each Class B Warrant will entitle the holder thereof to acquire one Warrant Share at \$1.25 per Warrant Share for a period commencing six (6) months and one day after the Closing Date and ending three (3) years following the Closing Date.

Share Issuance

In the year ended March 31, 2020, the Company did not issue any common stock for services. However, the Company accrued \$81,117 in the year ended March 31, 2020, based on the market value of the common stock of the Company on the date as March 31, 2020, under an agreement that obligates the Company to issue 276,167 shares to consultants for services rendered of which approximately 247,167 shares were earned in the year ended March 31, 2020, and approximately 29,000 shares were earned in the year ended March 31, 2019.

On April 30, 2020, the Company issued an aggregate of 247,000 shares of our common stock to non-employees in consideration for services rendered to our company.

Effective as of May 22, 2020, the Company issued 170,000 shares of our common stock to non-employees in consideration for services to be rendered to our company.

Effective as of August 18, 2020, the Company issued 90,116 shares of our common stock to non-employees in consideration for services to be rendered to our company. The total fair value of the shares is \$155,000 based on the \$1.72 per share closing price of the Company's common stock on the NASDAQ stock exchange on August 18, 2020. These shares were issued pursuant to an agreement dated July 30, 2020, whereby an entity was engaged to provide investor relations management services through its online platform for the Company for an initial term beginning on August 3, 2020 and ending on November 3, 2020. The Company agreed to pay a one-time annual platform access fee in the amount of \$40,000 plus pay for an additional deliverables during the term in the amount of \$115,000 for a total of \$155,000, which amount was paid in the form of 90,116 shares of common stock of the Company.

Effective as of July 17, 2020, August 28, 2020, September 23, 2020, October 16, 2020, November 18, 2020, December 16, 2020, January 14, 2021, February 22, 2021, and March 23, 2021, the Company issued 18,779 shares, 53,256 shares, 28,985 shares, 24,844 shares, 35,398 shares, 37,735 shares, 37,037 shares, 28,169 shares, and 34,482 shares, respectively of our common stock to non-employees in consideration for services to be rendered to our company. The total fair value of the shares is \$40,000, \$91,600, \$40,000, \$40,000, \$40,000, \$40,000, \$40,000, \$40,000, and \$40,000 respectively based upon the \$2.13, \$1.72, \$1.38, \$1.61, \$1.13, \$1.06, \$1.08, \$1.42, and \$1.16 per share closing price of the Company's common stock on the NASDAQ stock exchange on July 17, 2020, August 28, 2020, September 23, 2020, October 16, 2020, November 19, 2020, December 18, 2020, January 14, 2021, February 22, 2021, and March 23, 2021. These shares were issues pursuant to a consulting agreement dated June 15, 2020, whereby the Company engaged an entity to perform consulting services for the Company for a period of one year. The Company agreed to pay a retainer in the amount of \$40,000 per month, for a total of \$480,000 to be paid in the form of the common stock of the Company, which shares are to be issued monthly. This agreement was terminated in April 2021.

Effective as of January 14, 2021, the Company issued an aggregate of 205,000 shares of our common stock to an non-employee in consideration for services rendered to our Company. The total fair value of the shares is \$221,400 based on the \$1.08 per share closing price of the Company's common stock on the NASDAQ stock exchange on January 14, 2021.

Restricted Awards

On April 30, 2020, the Company granted awards of an aggregate of 1,065,000 shares of our common stock as "restricted awards" under our 2020 Equity Incentive Plan to certain directors, officers, employees, and consultants. Of these shares, 645,000 vest on the one-year anniversary of the grant date, 200,000 vest as to 50% on the one-year anniversary of the grant date and 50% vest on the second-year anniversary of the grant date, 165,000 vest as to one-third on each anniversary of the grant date and 55,000 vest immediately. On April 30, 2020, the Company issued the immediately vested awards, 35,000 to a non-employee, and 20,000 to an employee. The grantees have no rights or privileges as stockholders of our company with respect to the unvested shares including, without limitation, the right to vote such shares and receive all dividends or other distributions paid with respect to such shares. Of these restricted awards granted on April 30, 2020, an award of 200,000 shares of our common stock went to Richard Wright, our president, chief executive officer and director, and an award of 100,000 shares of our common stock went to David Guarino, our chief financial officer, secretary, treasurer, and director. The Company granted these shares as "restricted awards" under our 2020 Equity Incentive Plan. These shares vest on the one-year anniversary of the grant date. The grantees have no rights or privileges as a stockholder of our company with respect to the unvested shares including, without limitation, the right to vote such shares and receive all dividends or other distributions paid with respect to such shares. The total fair value of the 1,065,000 shares of the Company's common stock granted as "restricted awards" is \$1,065,000, based upon the \$1.00 per share closing price of the Company's common stock on the NASDAQ stock exchange on April 29, 2020.

On August 27, 2020, the Company granted an award of 20,000 shares of our common stock as "restricted awards" under our 2020 Equity Incentive Plan to new employee. These shares vest one-third on each anniversary date over three years. The grantee has no rights or privileges as stockholders of our company with respect to the unvested shares including, without limitation, the right to vote such shares and receive all dividends or other distributions paid with respect to such shares. The total fair value of the 20,000 shares of the Company's common stock granted as "restricted awards" is \$30,400 based upon the \$1.52 per share closing price of the Company's common stock on the NASDAQ stock exchange on August 27, 2020.

On March 31, 2021, the Company granted awards of an aggregate of 565,000 shares of our common stock as "restricted awards" under our 2020 Equity Incentive Plan to certain directors, officers, employees, and consultants. These shares vest on the one-year anniversary of the grant date. The grantees have no rights or privileges as stockholders of our company with respect to the unvested shares including, without limitation, the right to vote such shares and receive all dividends or other distributions paid with respect to such shares. Of these restricted awards granted on April 30, 2020, an award of 150,000 shares of our common stock went to Richard Wright, our president, chief executive officer and director, and an award of 100,000 shares of our common stock went to David Guarino, our chief financial officer, secretary, treasurer, and director. The Company granted these shares as "restricted awards" under our 2020 Equity Incentive Plan.

The Company's total stock compensation expense on account of the 1,065,000 shares of its common stock granted on April 30, 2020, the 20,000 shares of its common stock granted on August 27, 2020, and the 565,000 shares of its common stock granted on March 31, 2021, as "restricted awards" for the year ended March 31, 2021, was \$828,967. Additional expense will be recognized in the next 3 fiscal years of \$818,067, \$56,800, and \$7,417, respectively.

During October 2020, the Company issued 50,000 shares of our common stock to an employee upon his exercise of vested restricted awards under our 2020 Equity Incentive Plan.

NOTE 7 - OPTIONS AND WARRANTS

Stock Option Plans

Effective October 7, 2013, our board of directors adopted and approved our 2013 equity incentive plan. The plan was approved by a majority of our stockholders on October 7, 2013. On October 31, 2014, our board of directors amended our 2013 equity incentive plan to, among other things, increase the number of shares of stock of our company available for the grant of awards under the plan from 20,000,000 shares to 35,000,000 shares. The purpose of the plan is to (a) enable our company and any of our affiliates to attract and retain the types of employees, consultants and directors who will contribute to our company's long-range success; (b) provide incentives that align the interests of employees, consultants, and directors with those of the stockholders of our company; and (c) promote the success of our company's business. Effective as of December 30, 2015, we effected a 50-for-1 reverse stock split of our authorized and issued and outstanding shares of common stock which decreased the number of shares of stock of our company available for the grant of awards under the plan from 35,000,000 shares to 700,000 shares. Effective as of January 20, 2016, our board of directors amended the plan to increase the number of shares of stock of our company available for the grant of awards under the plan from 700,000 to 7,700,000. The plan enabled us to grant awards of a maximum of 7,700,000 shares of our stock and awards that may be granted under the plan included incentive stock options, non-qualified stock options, stock appreciation rights, restricted awards and performance compensation awards.

On April 25, 2018, our board of directors adopted the 2018 Stock Option Plan, pursuant to which we may grant stock options to acquire up to a total of 5,171,612 shares of our common stock, including any other shares of our common stock which may be issued pursuant to any other stock options granted by our company outside the plan. We adopted the plan in connection with our prior application to list our common stock on the TSX Venture Exchange. The purpose of the plan is to retain the services of valued key employees and consultants of our company and such other persons as our board of directors selects, and to encourage such persons to acquire a greater proprietary interest in our company, thereby strengthening their incentive to achieve the objectives of our stockholders, and to serve as an aid and inducement in the hiring of new employees and to provide an equity incentive to consultants and other persons selected by our board of directors.

Effective February 28, 2020, our board of directors adopted and approved our 2020 equity incentive plan, pursuant to which we may grant stock options to acquire up to a maximum of 9,000,000 shares of our common stock and non-stock option awards to acquire up to a maximum of 1,650,000 shares of our common stock. The plan was approved by a majority of our stockholders on March 30, 2020. The purpose of our 2020 equity incentive plan is to: (i) enable our company and any affiliate of our company to attract and retain the types of employees, consultants, directors and such other persons as the plan administrator may select who will contribute to our company's long range success; (ii) provide incentives that align the interests of employees, consultants, directors and such other persons as the plan administrator may select with those of our company's stockholders; and (iii) promote the success of our company's business. Under the plan, either stock options or non-stock option awards may be granted. Non-stock option awards mean a right granted to an award recipient under the plan, which may include the grant of stock appreciation rights, restricted awards, performance compensation awards or other equity-based awards.

Issuance of Options

Effective April 28, 2017, we granted a total of 1,790,000 stock options to our directors, officers, consultants, employees. The stock options are exercisable at the exercise price of \$1.29 per share for a period of ten years from the date of grant. 360,000 of the stock options vest as follows: (i) 120,000 upon the date of grant; and (ii) 120,000 on each anniversary date of grant for 2 years. 1,430,000 of the stock options vest as follows: (i) 357,500 upon the date of grant; and (ii) 357,500 on each anniversary date of grant for 3 years. We granted the stock options to 12 U.S. Persons and 3 non-U.S. Persons (as that term is defined in Regulation S of the Securities Act of 1933) and in issuing securities we relied on the registration exemption provided for in Regulation S and/or Section 4(a)(2) of the Securities Act of 1933. During the years ended March 31, 2020, and March 31, 2019, a total of 239,000 and 161,100 options were exercised, respectively, all on a cashless exercise basis.

For the years ended March 31, 2020 and March 31, 2019 the Company has recognized compensation expense of \$1,591,555 and \$393,460 respectively, on the stock options granted in April 2017 that vested. The unvested amounts will be amortized over the next quarter. The fair value of the unvested shares is \$54,202 as of March 31, 2020. The aggregate intrinsic value of outstanding options was \$16,916 at March 31, 2020.

On April 3, 2020, the Company granted an aggregate of 2,737,000 stock options to certain directors, officers, consultants and employees for the purchase of up to 2,737,000 shares of our common stock pursuant to our 2018 Stock Option Plan. Each stock option is exercisable at a price of \$0.53 per share until April 2, 2030. Of these stock options, 1,217,000 vest as to 50% on the grant date and 50% on the one-year anniversary of the grant date, 640,000 vest as to one-third on the grant date and one-third on each anniversary of the grant date and 880,000 vest as to one-third on each anniversary of the grant date. Of these options, 250,000 were granted to Richard A. Wright, our president, chief executive officer and director, and 150,000 were granted to David A. Guarino, our chief financial officer, secretary, treasurer, and director. These stock options are exercisable at the exercise price of \$0.53 per share until April 2, 2030. The stock options vest as to 50% on the date of grant and 50% on the one-year anniversary of the date of grant. The fair value of each of the 2,737,000 stock options issued was calculated as \$0.53 per share, which was the Black-Scholes valuation as of the grant date, corresponding to a total fair value of \$1,450,610 for these options. . In connection with the above grant, the Company repriced a total of 600,900 stock options originally issued on April 28, 2017, from their original exercise price of \$1.29 to \$0.53, resulting in an additional stock compensation expense of \$42,664.

Effective August 10, 2020, we granted 125,000 stock options to the new employee issued restricted shares above with an exercise price of \$1.71 per share. These options vest one-third on each anniversary of the grant date. The fair value of these 125,000 stock options issues was calculated at \$1.57 per share, which was the Black-Scholes valuation (using the exercise price of \$1.57, 10 years to maturity, annual risk-free interest rate of 0.6% and annualized volatility of 107%) as of the date of grant, corresponding to a total fair value of \$185,625 for these options.

Effective November 18, 2020, the Company granted 45,000 stock options to the new employee issued restricted shares above with an exercise price of \$1.09 per share. These options vest one-third on each anniversary of the grant date. The fair value of these 45,000 stock options issues was calculated at \$1.03 per share, which was the Black-Scholes valuation (using the exercise price of \$1.09, 10 years to maturity, annual risk-free interest rate of 0.6% and annualized volatility of 121%) as of the date of grant, corresponding to a total fair value of \$46,350 for these options.

Effective March 31, 2021, the Company granted an aggregate of 1,990,000 stock options to certain directors, officers, consultants and employees for the purchase of up to 1,990,000 shares of our common stock pursuant to our 2018 Stock Option Plan. Each stock option is exercisable at a price of \$1.09 per share until March 31, 2031. Of these stock options, 1,060,000 vest as to 50% on the grant date and 50% on the one-year anniversary of the grant date and the remaining amount of 930,000 options vest one-half on the first anniversary date and one-half on the second anniversary date. Of these options, 250,000 were granted to Richard A. Wright, our president, chief executive officer and director, and 200,000 were granted to David A. Guarino, our chief financial officer, secretary, treasurer, and director. These stock options are exercisable at the exercise price of \$1.09 per share until March 31, 2031. The stock options vest as to 50% on the date of grant and 50% on the one-year anniversary of the date of grant. The fair value of each of the 1,990,000 stock options issued was calculated as \$1.07 per share, which was the Black-Scholes valuation as of the grant date, corresponding to a total fair value of \$2,129,300 for these options.

The Company's total stock compensation expense for the year-ended March 31, 2021, relating to stock option grants was \$1,621,199. Additional stock compensation expense will be recognized in fiscal years 2022, 2023 and 2024 of \$1,679,627, \$484,477, and \$49,661, respectively

Exercise of Options

Effective as of April 29, 2020, the Company issued an aggregate of 116,000 shares of our common stock upon exercise of stock options for gross proceeds of \$61,480.

Effective as of July 9, 2020 the Company issued an aggregate of 188,081 shares of our common stock upon a cash-less exercise of stock options.

Effective as of August 4, 2020 the Company issued an aggregate of 48,158 shares of our common stock upon a cash-less exercise of stock options.

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

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (years)
Outstanding at March 31, 2019	2,272,900	\$ 1.09	4.5
Granted	-	-	-
Exercised	(239,000)	0.89	3.5
Expired/Forfeited	-	-	-
Outstanding at March 31, 2020	2,033,900	1.11	3.5
Granted	4,897,000	1.09	10.0
Exercised	(506,000)	0.76	3.7
Expired/Forfeited	(165,333)	0.57	7.7
Outstanding at March 31, 2021	6,259,567	0.83	7.7
Exercisable at March 31, 2021	2,908,233	0.84	5.6

Warrants

On March 1, 2018, pursuant to Warrant Amendment Agreements dated February 22, 2018 with 16 holders (the "Holders") of our common stock purchase warrants (the "Existing Warrants"), we issued an aggregate of 3,900,000 shares of our common stock upon exercise of the Existing Warrants at an exercise price of \$0.50 per share for aggregate gross proceeds of \$1,950,000. The Existing Warrants were issued by us as part of an offering that closed on March 4, 2016. In addition, pursuant to the Warrant Amendment Agreements, we issued new common stock purchase warrants of our company (the "New Warrants") in the form of the Existing Warrants to purchase up to a number of shares of our common stock equal to the number of Existing Warrants exercised by the Holders, provided that (i) the exercise price of the New Warrants is \$0.60 per share, subject to adjustment in the New Warrants, (ii) the expiry date of the New Warrants is September 1, 2019 and (iii) the New Warrants are non-transferable.

On May 31, 2018, the Company issued 5,131,665 Units of the Company at a price of \$0.75 per Unit for aggregate gross proceeds of \$3,848,749. Each Unit consisted of one share of common stock of the Company (each, a "**Share**") and one-half of one share purchase warrant (each whole warrant, a "**Warrant**"). One Warrant entitles the holder thereof to purchase one additional Share of the Company (each, a "**Warrant Share**") at a price of \$0.90 per Warrant Share for a period of two years from closing.

On October 1, 2018, the Company closed a non-brokered private placement financing (the "**Financing**") of 1,619,947 units (each, a "**Unit**") at a price of CDN\$2.50 per Unit for gross proceeds of \$2,979,596. Each Unit consists of one share of common stock of the Company (each, a "**Share**") and one share purchase warrant (each, a "**Warrant**"), with each Warrant entitling the holder thereof to purchase one additional Share at a price of CDN\$2.90 per Share for a period of two years. All securities issued in the Financing were subject to a Canadian holding period which expired on January 28, 2019. The Company paid finder's fees of \$123,572 and issued 49,428 warrants.

Exercise of Warrants

Effective as of May 20, 2020, the Company issued an aggregate of 287,666 shares of our common stock upon exercise of our common stock purchase warrants with an exercise price of \$0.90 per share for aggregate gross proceeds of \$258,899.

Effective as of July 28, 2020, the Company issued an aggregate of 81,400 shares of our common stock upon exercise of our common stock purchase warrants with an exercise price of CAD\$2.90 per share for aggregate gross proceeds of \$172,521.

Effective as of August 5, 2020, the Company issued an aggregate of 7,999 shares of our common stock upon exercise of our common stock purchase warrants with an exercise price of CAD\$2.90 per share for aggregate gross proceeds of \$16,802.

Effective as of August 14, 2020, the Company issued an aggregate of 8,750,000 shares of our common stock upon exercise of our common stock purchase warrants with an exercise price of \$0.50 per share for aggregate gross proceeds of \$4,375,000.

Effective as of October 19, 2020, the Company issued an aggregate of 166,000 shares of our common stock upon exercise of our common stock purchase warrants with an exercise price of \$0.55 per share for aggregate gross proceeds of \$91,666.

Effective as of February 1, 2021, the Company issued 2,000,000 shares of our common stock upon exercise of our common stock purchase warrants with an exercise price of \$0.55 per share for an aggregate gross proceeds of \$1,100,000.

Effective as of February 8, 2021, the Company issued 1,777,777 shares of our common stock upon exercise of our common stock purchase warrants with an exercise price of \$0.55 per share for an aggregate gross proceeds of \$977,777.

The following is a summary of the status of all of our warrants as of March 31, 2021, and changes during the years ended on that date:

	<u>Number of Warrants</u>	<u>Weighted- Average Exercise Price</u>
Outstanding at March 31, 2019	6,188,222	1.16
Granted	0	-
Exercised	(3,974,000)	0.63
Cancelled or Expired	(127,733)	5.78
Outstanding at March 31, 2020	2,086,489	1.80
Granted	23,717,818	3.00
Exercised	(13,293,728)	2.58
Cancelled or Expired	(1,709,424)	2.29
Outstanding at March 31, 2021	10,801,155	2.90
Warrants exercisable at March 31, 2021	6,039,466	3.00

The following table summarizes information about stock warrants outstanding and exercisable at March 31, 2021:

STOCK WARRANTS OUTSTANDING

<u>Exercise Price</u>	<u>Number of Warrants Outstanding</u>	<u>Weighted-Average Remaining Contractual Life in Years</u>
\$0.50	1,000,000	2.05
\$0.55	277,777	2.29
\$1.25	9,953,378	2.92

NOTE 8 - 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Deferred income tax assets:	\$ 11,700,000	\$ 8,680,000
Valuation allowance	(11,700,000)	(8,680,000)
Net total	<u>\$ -</u>	<u>\$ -</u>

At March 31, 2021, the Company had net operating loss carryforwards of approximately \$47 million and net operating loss carryforwards expire in 2023 through 2037. The current year's net operating loss will carryforward indefinitely.

In December 2017, the U.S. Tax Cuts and Jobs Act of 2017 ("Tax Act") was enacted into law which significantly revises the Internal Revenue Code of 1986, as amended. The newly enacted federal income tax law, among other things, contains significant changes to corporate taxation, including a flat corporate tax rate of 21%, limitation of the tax deduction for interest expense to 30% of adjusted taxable income, limitation of the deduction for newly generated net operating losses to 80% of current year taxable income and elimination of net operating loss ("NOL") carrybacks, future taxation of certain classes of offshore earnings regardless of whether they are repatriated, immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits beginning in 2018.

The current income tax benefit of \$3,020,000 generated for the year ended March 31, 2021 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 which is the only significant component of deferred taxes.

Reconciliation between the statutory rate and the effective tax rate is as follows at March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Effective Tax Rate Reconciliation:		
Federal statutory tax rate	21%	21%
State taxes, net of federal benefit	0%	0%
Change in valuation allowance	(21%)	(21%)
Effective Tax Rate	<u>0%</u>	<u>0%</u>

The Company recognizes interest and penalties related to uncertain tax positions in general and administrative expense. As of March 31, 2021 and 2020 the Company has no unrecognized uncertain tax positions, including interest and penalties.

The Company's federal income tax returns for tax years ended March 31, 2018 and beyond remain subject to examination by the Internal Revenue Service. The returns for Arizona, the Company's most significant state tax jurisdiction, remain subject to examination by the Arizona Department of Revenue for tax years ended March 31, 2017 and beyond.

NOTE 9 - LEASES

Leases

The Company adopted ASC 842 on April 1, 2019 which requires lessees to recognize right-of-use ("ROU") asset and lease liability for all leases. The Company elected the package of transition practical expedients for existing contracts, which allowed us to carry forward our historical assessments of whether contracts are or contain leases, lease classification and determination of initial direct costs.

The Company leases property under operating leases.

As of July 1, 2020, the Company entered into a lease for 14,530 square feet of warehouse space from a third party through December 2021 at a rate of \$7,992 per month for the first twelve months, then at a rate of \$8,231 per month for the last six months of the lease. The Company determined this lease was an operating lease under ASC 842 and using an interest rate of 7%, the Company determined that the ROU for this lease was \$130,989 and the lease liability for this lease was \$138,266, at inception of this lease, respectively.

As of October 1, 2020, the company entered into a lease for 9,166 square feet of corporate office and warehouse space from a third party through September 2023 at a rate of \$10,083 per month for the first twelve months, then at a rate of \$10,385 for the next 12 months, and \$10,697 for the final 12 months of the lease. The Company determined this lease was an operating lease under ASC 842 and using an interest rate of 7%, the Company determined that the ROU for this lease was \$337,932 and the lease liability for this lease was \$337,932, at inception of this lease, respectively. Previously, the Company leased its corporate office space with a size of 3,352 square feet leased from a third party which leased through November 2020 at the current rate of \$7,891 per month.

As of November 1, 2020, the company entered into a lease for 2,390 square feet of corporate office space from a third party through January 2024 at a rate of \$5,280 per month for the first twelve months starting January 2021, then at a rate of \$5,377 for the next 12 months, and \$5,497 for the final 13 months of the lease. The Company determined this lease was an operating lease under ASC 842 and using an interest rate of 7%, the Company determined that the ROU for this lease was \$177,629 and the lease liability for this lease was \$177,629, at inception of this lease, respectively

At inception the ROU and Lease Liability was calculated based on the net present value of the future lease payments over the term of the lease. When available, the Company uses the rate implicit in the lease discount payments as the incremental borrowing rate to calculate the net present value; however, the rate implicit in the lease is not readily determinable for our corporate office lease. In this case, the Company estimated its incremental borrowing rate as the interest rate it could borrow an amount equal to the lease payments over a similar term, with similar collateral as the lease, and in a similar economic environment. The Company estimated its rate using available evidence such as rates imposed by third-party lenders to the Company in recent financings or observable risk-free interest rate and credit spreads for commercial debt of a similar duration, with credit spreads correlating to the Company's estimated creditworthiness.

For operating leases that include rent holidays and rent escalation clauses, the Company recognizes lease expense on a straight-line basis over the lease term from the date it takes possession of the leased property. The Company records the straight-line lease expense and any contingent rent, if applicable, in general and administrative expenses on the condensed consolidated statements of operations. The corporate office, lease also requires the Company to pay real estate taxes, common area maintenance costs and other occupancy costs which are included in the general and administrative expenses on the condensed consolidated statements of operations.

Operating Lease expense for the year ended March 31, 2021 was \$235,167.

Operating Leases:

	March 31, 2021
Operating lease right-of-use asset - current portion	\$ 236,446
Operating lease right-of-use asset - non-current portion	<u>269,167</u>
Total Operating lease right-of-use asset	<u>\$ 505,613</u>
Operating lease liability - current portion	\$ 229,605
Operating lease liability - non-current portion	<u>292,582</u>
Total Operating lease liability	<u>\$ 522,187</u>
Weighted average remaining lease term (in years):	
Operating leases	1.17
Weighted average discount rate:	
Operating leases	7%

Maturities of undiscounted lease liabilities as of March 31, 2021 are as follows:

	Operating Leases
Year ending March 31, 2022 - 259,821	
Year ending March 31, 2023 - 191,379	
Year ending March 31, 2024 - 119,150	<u>119,150</u>
Total lease payments	570,349
Less: Imputed interest	<u>(48,162)</u>
Total lease obligations	<u>522,187</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal proceedings, claims and litigation arising in the ordinary course of business. The Company does not believe that the disposition of matters that are pending or asserted will have a material effect on its consolidated financial statements.

NOTE 11 - SUBSEQUENT EVENTS

On April 15, 2021, we issued an aggregate of 38,834 shares of our common stock in consideration for services rendered to our company. We issued these shares to one U.S. Person (as that term is defined in Regulation S of the Securities Act of 1933) and in issuing these shares, we relied on the exemption from the registration requirements of the Securities Act of 1933 provided by Section 4(a)(2) of the Securities Act of 1933 and/or Rule 506 promulgated under the Securities Act of 1933.

On May 12, 2021, The Company entered into an Endorsement Agreement (the "Endorsement Agreement"), with ABG-Shaq, LLC ("ABG-Shaq"), an entity affiliated with Shaquille O'Neal, for the personal services of Mr. O'Neal. Mr. O'Neal was also appointed to the Company's Advisory Board.

Pursuant to the Endorsement Agreement, the Company received the right and license to use Mr. O'Neal's name, nickname, initials, autograph, voice, video or film portrayals, photograph, likeness and certain other intellectual property rights, in each case, solely as approved by ABG-Shaq, in connection with the advertising, promotion and sale of the Company's branded products. Mr. O'Neal will also provide brand ambassador services related to appearances, social media and public relations matters.

As consideration for the rights and services granted under the Endorsement Agreement, the Company agreed to pay to ABG-Shaq aggregate cash payments of \$3,000,000 million over the three years of the Endorsement Agreement. The Company will also pay expenses related to the marketing and personal services provided by Mr. O'Neal. In addition, the Company agreed to grant 6,681,090 shares of Series S Preferred Stock to ABG, each vested share of which is convertible into one share of the Company's common stock. The shares of Series S Preferred Stock will vest as to 1/3 on May 12, 2021, May 1, 2022 and May 1, 2023. The term of the Endorsement Agreement ends on May 1, 2024. The Endorsement Agreement also includes customary exclusivity, termination and indemnification clauses.

On June 14, 2021, we issued an aggregate of 277,777 shares of our common stock upon exercise of our common stock purchase warrants with an exercise price of \$0.55 per share for aggregate gross proceeds of \$152,777.35. We issued these shares to one U.S. person (as that term is defined in Regulation S of the Securities Act of 1933) and in issuing these shares, we relied on the exemption from the registration requirements of the Securities Act of 1933 provided by Section 4(a)(2) of the Securities Act of 1933 and/or Rule 506 promulgated under the Securities Act of 1933.

On June 15, 2021, we issued an aggregate of 1,000,000 shares of our common stock upon exercise of our common stock purchase warrants with an exercise price of \$0.50 per share for aggregate gross proceeds of \$500,000. We issued these shares to one non-U.S. person (as that term is defined in Regulation S of the Securities Act of 1933) in an offshore transaction relying on Regulation S and/or Section 4(a)(2) of the Securities Act of 1933.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain "disclosure controls and procedures", as that term is defined in Rule 13a-15(e), promulgated by the Securities and Exchange Commission pursuant to the *Securities Exchange Act of 1934*, as amended. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our company's reports filed under the *Securities Exchange Act of 1934* is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer to allow timely decisions regarding required disclosure.

As required by paragraph (b) of Rules 13a-15 under the *Securities Exchange Act of 1934*, our management, with the participation of our principal executive officer and our principal financial officer, evaluated our company's disclosure controls and procedures as of the end of the period covered by this annual report on Form 10-K. Based on this evaluation, our management concluded that as of the end of the period covered by this annual report on Form 10-K, our disclosure controls and procedures were not effective.

Internal Control over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting

Our management, including our principal executive officer and our principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934).

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our internal control over financial reporting as of March 31, 2021. Our management's evaluation of our internal control over financial reporting was based on the framework in Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this evaluation, our management concluded that our internal control over financial reporting was not effective as of March 31, 2021 and that there were material weaknesses in our internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Our management identified the following material weaknesses:

- (1) We had inadequate segregation of duties over both financial reporting and closing activities.
- (2) We had inadequate resources in the accounting department.

To address these material weaknesses, management performed additional analyses and other procedures to ensure that the financial statements included herein fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented. Accordingly, we believe that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

Remediation

In response to the material weaknesses discussed above, we are working on implementing a new integrated ERP system and have hired additional accounting personnel. Once the ERP system is implemented in the second quarter of fiscal year 2022, we plan to engage a third-party consultant to develop a comprehensive control framework using the ERP and to document our internal controls based on the implementation of the ERP system.

We will continue to monitor and evaluate the effectiveness of our internal control over financial reporting on an ongoing basis and are committed to taking further action and implementing additional improvements as necessary.

Limitations on Effectiveness of Controls

Our principal executive officer and our principal financial officer do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additional controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of our fiscal year ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

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

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

Name	Positions Held with Our Company	Age	Date First Elected or Appointed
Richard A. Wright	President, Chief Executive Officer, Vice-President, Chief Operating Officer, and Director	62	May 31, 2013
David A. Guarino	Chief Financial Officer, Secretary, Treasurer and Director	56	April 28, 2017
Aaron Keay	Chairman of the Board and Director	43	July 22, 2016
Frank Lazaran	Director	64	October 8, 2020
Brian Sudano	Director	56	September 14, 2018

Business Experience

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

Richard A. Wright

Mr. Wright is a Certified Public Accountant. He graduated Magnum Cum Laude in 1978 from Mount Union University in Alliance, Ohio. He has taken graduate level MBA courses at Case Western Reserve College in Cleveland, Ohio. In 2008, Mr. Wright became the chief financial officer for PCT International, a leading worldwide developer and manufacturer of last mile and access network solutions for broadband communication networks. PCT focuses on innovative and cost-effective solutions that allow service providers to improve system integrity and expand service offerings. It has manufacturing plants in USA and China and sells its products in 42 countries. In 2010, Mr. Wright started his own tax and accounting CPA firm in Scottsdale, Arizona, Wright Tax Solutions PLC. Mr. Wright also started Wright Investment Group, LLC, a small equity participation firm that helps provide seed capital through micro loans and financial expertise to start-up enterprises.

Effective as of May 31, 2013, Mr. Wright was appointed as the vice-president, treasurer and as a director of our company. On August 7, 2013, our board of directors appointed Mr. Wright as secretary of our company. On August 28, 2016, our board of directors appointed Mr. Wright as chief operating officer of our company. On April 7, 2017, our board of directors appointed Mr. Wright as president of our company. On April 28, 2017, Mr. Wright resigned as the secretary and treasurer of our company and our board of directors appointed Mr. Wright as the chief executive officer of our company.

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

David A. Guarino

On April 28, 2017, Mr. Guarino was appointed as the chief financial officer, secretary, treasurer and a director of our company. Mr. Guarino holds a bachelor of science in accounting and a master of accountancy from the University of Denver. From 2008 to 2013, Mr. Guarino was the president and a director of Kahala Corp, a worldwide franchisor of multiple quick service restaurant brands with locations in 49 states and over 25 countries. From 2014 to 2015, Mr. Guarino was the president of HTI International Holdings, Inc., a technology company focused on forward osmosis water filtration technology. From 2015 until April, 2017, Mr. Guarino had been a consultant to our company.

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

Aaron Keay

On July 22, 2016, Mr. Keay was appointed as a director of our company and on August 17, 2017, Mr. Keay was appointed as the chairman of the board.

Mr. Keay has been the president and managing partner of Inform Capital Partners, a corporate finance advisory and merchant banking firm, from 2008 to present. Mr. Keay was a director of Vivo Cannabis Inc., a company listed on the TSXV Venture Exchange, from September 17, 2015 until June 4, 2019. He was the chairman, chief executive officer and director of Inform Resources Corp., a mining company listed on the TSX Venture Exchange, from August 2010 until July 10, 2014. Mr. Keay was the chief executive officer, president and a director of IDM Mining Ltd. (formerly Revolution Resources), a mining company listed on the Toronto Stock Exchange, from 2009 until January 7, 2015. He was a director of OrganiGram Holdings Inc., an industrial company specializing in the production of condition specific medical marijuana under license from Health Canada listed on the TSX Venture Exchange, from September 14, 2010 until July 17, 2014. Mr. Keay was a director of Plateau Uranium Inc. (formerly, Macusani Yellowcake Inc.), a uranium exploration and development company listed on the TSX Venture Exchange, from April 5, 2013 until September 4, 2014. He was a director of Aftermath Silver Inc. (formerly, Full Metal Zinc Ltd.), a mineral exploration and development company listed on the TSX Venture Exchange, from February 2011 until December 12, 2013. Mr. Keay holds a bachelor of human kinetics from the University of British Columbia.

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

Frank Lazaran

Mr. Lazaran has been a director of our company since October 8, 2020. As a 40-year veteran of the retail food industry, Mr. Lazaran brings decades of commercial and c-suite experience in scaling organizations, optimizing operations, and driving innovation in the retail sector. He has a solid track record for delivering operational excellence with balanced growth to companies facing unique challenges and complex situations. He was most recently the Chairman, Chief Executive Officer, and President of Marsh Supermarkets, Inc., a multi-format regional food retailer based in Indianapolis, Indiana. Under his leadership, he led the company through a successful turnaround. Prior to Marsh, Mr. Lazaran served as the Chief Executive Officer, President, and Director of Winn-Dixie Stores, Inc., which was a publicly-traded company and one of the largest supermarket chains in the Southeast. He is currently a senior industry partner in the private equity firm, New State Capital, and serves as an advisor to the retail industry through his consulting practice, Galazarano Consulting & Investments.

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

Brian Sudano

Mr. Sudano has been a director of our company since September 14, 2018. Mr. Sudano is the managing partner of Beverage Marketing Corporation and BMC Strategic Associates. Mr. Sudano has been the managing partner of Beverage Marketing Corporation since July 2008 and was the managing director of Beverage Marketing Corporation from September 2000 to July 2008. Mr. Sudano's experience covers nearly the entire beverage industry, from energy drinks to wine, with special expertise in beverage alcohol by virtue of varied industry experience and broad range of projects. Mr. Sudano manages several major clients, providing on-going strategic and market advice, while leading projects in strategic planning, market entry analysis and planning, sales/distribution, business modeling, brand repositioning and international opportunity assessment.

From 1997 to 2000, Mr. Sudano was with Constellation Brands, Inc., a leading US beverage alcohol company, where he held the position of vice president of business processes and was responsible for creating a corporate operations and consulting function to service Constellation's wine, spirits and beer businesses. While in this role, Mr. Sudano led the due diligence and transition efforts for entering the premium wine business and provided corporate oversight for the integration and transition of the Black Velvet distillery and brands. Other activities included oversight of business risk management and covering issues such as promotional effectiveness to performance metrics.

Mr. Sudano received an MBA from Rutgers Graduate School of Management, was a magna cum laude and honors graduate from Delaware Valley College where he received a bachelor of science degree and is a New Jersey CPA.

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

Family Relationships

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

Involvement in Certain Legal Proceedings

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

- (a) any petition under the federal bankruptcy laws or any state insolvency laws filed by or against, or an appointment of a receiver, fiscal agent or similar officer by a court for the business or property of such person, or any partnership in which such person was a general partner at or within two years before the time of such filing, or any corporation or business association of which such person was an executive officer at or within two years before the time of such filing;
- (b) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offences);
- (c) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining such person from, or otherwise limiting, the following activities: (i) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity; engaging in any type of business practice; or (iii) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;
- (d) being the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (c)(i) above, or to be associated with persons engaged in any such activity;
- (e) being found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission to have violated a federal or state securities or commodities law, and the judgment in such civil action or finding by the Securities and Exchange Commission has not been reversed, suspended, or vacated;
- (f) being found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;
- (g) being the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (i) any federal or state securities or commodities law or regulation; or (ii) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease- and-desist order, or removal or prohibition order; or (iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- (h) being the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Securities Exchange Act of 1934), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who own more than 10% of our common stock, to file reports regarding ownership of, and transactions in, our securities with the Securities and Exchange Commission and to provide us with copies of those filings. Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons we believe that during year ended March 31, 2021 all filing requirements applicable to our executive officers and directors, and persons who own more than 10% of our common stock were complied with, with the exception of the following:

Name	Number of Late Reports	Number of Transactions Not Reported on a Timely Basis	Failure to File Requested Forms
Brian Sudano	1	1	Nil

Code of Ethics

On September 4, 2018, our board of directors adopted a code of ethics and business conduct for directors, senior officers and employees of our company. We adopted the code of ethics and business conduct for the purpose of promoting:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;
- full, fair, accurate, timely and understandable disclosure in all reports and documents that we file with, or submits to, the Securities and Exchange Commission and in other public communications made by our company;
- compliance with applicable governmental laws, rules and regulations;
- the protection of our assets, including corporate opportunities and confidential information;
- fair dealing practices;
- the prompt internal reporting of violations of the code of ethics and business conduct; and
- accountability for adherence to the code of ethics and business conduct.

Committees of Board of Directors

Audit Committee

Effective February 22, 2018, our board of directors established an audit committee. The audit committee currently consists of three directors, Aaron Keay, Frank Lazaran and Brian Sudano. Our audit committee assists our board of directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by our company to regulatory authorities and stockholders, our systems of internal controls regarding finance and accounting and our auditing, accounting and financial reporting processes. Our audit committee's primary duties and responsibilities are to: serve as an independent and objective party to monitor our financial reporting and internal control system and review our financial statements; oversee our accounting and financial reporting processes and the preparation and auditing of our financial statements; review and appraise the performance of our external auditor; and provide an open avenue of communication among our auditor, financial and senior management and our board of directors.

Audit Committee Financial Expert

Our board of directors has determined that Frank Lazaran, an independent director of our company, qualifies as an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K.

Nomination of Directors

On September 4, 2018, our board of directors adopted the board director nomination process. Our board of directors has determined that it is in our best interests to have director nominees recommended for the board's selection by a majority of our independent directors in a vote in which only independent directors participate and to have the full board participate in the consideration of the board of directors nominees.

In general, when our board of directors determines that expansion of the board or replacement of a director is necessary or appropriate, our independent directors will be responsible for identifying one or more candidates to fill such directorship, investigating each candidate, evaluating his/her suitability for service on our board of directors and recommending for selection suitable candidates for nomination to our board of directors. Our independent directors may engage outside search firms to identify suitable candidates.

Stockholders desiring to suggest a candidate for consideration must do so in accordance with our bylaws and applicable securities laws, and should send a letter to our Chief Financial Officer at our principal office located at 8541 E. Anderson Drive, Suite 100, Arizona 85255 U.S.A. Candidates recommended by our stockholders will be considered in the same manner as other candidates.

Compensation Committee

Our board of directors has a compensation committee comprised of Aaron Keay and Frank Lazaran. Our compensation committee has the following authority and responsibilities:

- to review and approve annually the corporate goals and objectives applicable to the compensation of the chief executive officer ("CEO"), evaluate at least annually the CEO's performance in light of those goals and objectives, and determine and approve the CEO's compensation level based on this evaluation;
- to review and make recommendations to the board regarding the compensation of all other executive officers;
- to review and make recommendations to the board regarding incentive compensation plans and equity-based plans, and where appropriate or required, recommend for approval of such plans by the stockholders of our company;
- to review and discuss with management our compensation discussion and analysis ("CD&A") and the related executive compensation information, recommend that the CD&A and related executive compensation information be included in our annual report on Form 10-K and proxy statement, and produce the compensation committee report on executive officer compensation required to be included in our proxy statement or annual report on Form 10-K;
- to review and make recommendations to the board regarding any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the CEO and other executive officers, which includes the ability to adopt, amend and terminate such agreements, arrangements or plans;
- to determine stock ownership guidelines for the CEO and other executive officers and monitor compliance with such guidelines;
- to review and make recommendations to the board regarding all employee benefit plans for our company, which includes the ability to adopt, amend and terminate such plans;
- to review our incentive compensation arrangements to determine whether they encourage excessive risk-taking, to review and discuss at least annually the relationship between risk management policies and practices and compensation, and to evaluate compensation policies and practices that could mitigate any such risk;
- to review and recommend to the board for approval the frequency with which our company will conduct say on pay votes, taking into account the results of the most recent stockholder advisory vote on frequency of say on pay votes required by Section 14A of the Securities Exchange Act of 1934, and review and approve the proposals regarding the say on pay vote and the frequency of the say on pay vote to be included in our proxy statement; and
- to review all director compensation and benefits for service on the board and any committees of the board at least once a year and to recommend any changes to the board as necessary.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation

The particulars of compensation paid to the following persons:

- (a) all individuals serving as our principal executive officer during the year ended March 31, 2021
- (b) each of our two most highly compensated executive officers who were serving as executive officers at the end of the year ended March 31, 2021; and
- (c) up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at March 31, 2021,

who we will collectively refer to as the named executive officers, for all services rendered in all capacities to our company and subsidiaries for the years ended March 31, 2021 and 2020 are set out in the following summary compensation table:

Summary Compensation Table - Years ended March 31, 2021 and 2020									
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Richard A. Wright <i>President, Chief Executive Officer, Vice-President, Chief Operating Officer, Director</i>	2021	168,000	Nil	200,000 ⁽¹⁾	400,000 ⁽²⁾	Nil	Nil	22,556	790,556
	2020	168,000	Nil	Nil	Nil	Nil	Nil	22,556	190,556
David A. Guarino <i>Chief Financial Officer, Secretary, Treasurer and Director</i>	2021	168,000	Nil	100,000 ⁽³⁾	293,500 ⁽⁴⁾	Nil	Nil	9,000	570,500
	2020	168,000	Nil	Nil	Nil	Nil	Nil	9,000	177,000

Notes:

- (1) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 200,000 shares of restricted stock awards effective April 30, 2020 (valued at \$200,000) and the issuance of 150,000 share of restricted stock awards effective March 31, 2021 (valued at \$163,500)
- (2) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issues of 250,000 option awards effective April 3, 2020 (valued at \$132,500) and the issuance of 250,000 option awards effective March 31, 2021 (valued at \$250,000)
- (3) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 100,000 shares of restricted stock awards effective April 30, 2020 (valued at \$100,000) and the issuance of 100,000 share of restricted stock awards effective March 31, 2021 (valued at \$109,000)
- (4) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issues of 150,000 option awards effective April 3, 2020 (valued at \$79,500) and the issuance of 200,000 option awards effective March 31, 2021 (valued at \$214,000)

Employment Agreement with Richard A. Wright

On March 30, 2016, we entered into an employment agreement dated effective March 1, 2016 with Richard A. Wright, our vice-president, secretary, treasurer and director, pursuant to which Mr. Wright agreed to perform such duties as are regularly and customarily performed by the vice president, secretary and treasurer of a corporation, and any other duties consistent with Mr. Wright's position in our company. Pursuant to the terms of the employment agreement, we have agreed to (i) pay Mr. Wright \$14,000 per month or such other amount as may be determined by our board of directors from time to time; and (ii) issue to Mr. Wright 1,500,000 shares of our Series C Preferred Stock (issued effective as of March 31, 2016). We also agreed that each of the following events constitute a "Negotiated Trigger Event" as defined in the Certificate of Designation for the Series C Preferred Stock: (i) the occurrence of a change of control event; (ii) the death of Mr. Wright; and (iii) the termination of the employment agreement for any reason.

In addition, we may (i) grant awards under our 2018 stock option plan to Mr. Wright from time to time and (ii) pay to Mr. Wright an annual discretionary performance bonus in an amount to be determined by our board of directors in its sole discretion. Mr. Wright will also be eligible to participate in other bonus programs offered by our company to our senior staff from time to time.

In addition, Mr. Wright will be entitled to participate in all of our employee benefit plans provided by our company to our senior officers. If we do not provide such plans at any time, we agreed to reimburse Mr. Wright for the reasonable cost of any such plans obtained privately. We also agreed to (i) provide Mr. Wright with vehicle leased in our company's name, with lease payments not exceeding \$700/month or such other amount as may be determined by our board of directors; (ii) pay Mr. Wright an allowance of \$5,000 per month or such other amount as may be determined by our board of directors, which may be used by Mr. Wright as he sees fit, including without limitation, the funding of non-qualified retirement plans; (iii) reimburse Mr. Wright for any expenses that he incurs in connection with his duties under his employment agreement. Mr. Wright will be entitled in each year to five weeks' paid vacation, in addition to weekends and statutory holidays, to be taken in installments of no more than three consecutive weeks of paid time off.

The initial term of the employment agreement with Mr. Wright is three years and, on the third anniversary of the effective date of the employment and on each annual anniversary date thereafter, the term of the employment agreement will automatically be extended by one additional year unless either party gives 90 days' written notice to the other of its intention not to renew the employment agreement.

Provided that Mr. Wright has acted within the scope of his authority, we have agreed to indemnify and save harmless Mr. Wright (including his heirs and legal representatives) against any and all costs, claims and expenses (including any amounts paid to settle any actions or satisfy any judgments) which: he may suffer or incur by reason of any matter or thing which he may in good faith do or have done or caused to be done as an employee, officer or director of our company, any of its subsidiaries or of any of their respective affiliates; or was reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been an employee, officer or director of our company, any of its subsidiaries or of any of their respective affiliates; provided that, the foregoing indemnification will apply only if: he acted honestly and in good faith with a view to the best interests of our company, any of its subsidiaries or any of their respective affiliates; and in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

Mr. Wright has agreed to indemnify and save harmless our company against, and agree to hold it harmless from, any and all damages, injuries, claims, demands, actions, liability, costs and expenses (including reasonable legal fees) incurred or made against our company arising from or connected with the performance or non-performance of his employment by him or the breach of any warranty, representation or covenant herein by him, other than claims by him pursuant to his employment agreement.

If and to the extent we maintain directors' and officers' liability insurance for the protection of our executives in connection with acts and omissions occurring during the course of their employment with our company, we agreed that Mr. Wright will be included as an officer and director who is covered by such policy on a basis no less favorable than made available to other executives of our company.

On August 28, 2016, our board of directors appointed Mr. Wright as chief operating officer of our company. On April 7, 2017, our board of directors appointed Mr. Wright as president of our company. On April 28, 2017, Mr. Wright resigned as the secretary and treasurer of our company and our board of directors appointed Mr. Wright as the chief executive officer of our company.

On April 3, 2020, we granted 250,000 stock options to Mr. Wright. The stock options are exercisable at the exercise price of \$0.53 per share until April 2, 2030 and vest as to 50% on the date of grant and 50% on the one year anniversary of the date of grant.

On April 30, 2020, we granted an award of 200,000 shares of our common stock to Mr. Wright. We granted these shares as "restricted awards" under our 2020 equity incentive plan. These shares vest on the one year anniversary of the date of grant. The grantees have no rights or privileges as a stockholder of our company with respect to the unvested shares including, without limitation, the right to vote such shares and receive all dividends or other distributions paid with respect to such shares.

On March 31, 2021, we granted 250,000 stock options to Mr. Wright. The stock options are exercisable at the exercise price of \$1.09 per share until March 31, 2031. The stock options vest as to 50% on the date of grant and 50% on the one year anniversary of the date of grant.

On March 31, 2021, we granted an award of 150,000 shares of our common stock to Mr. Wright. We granted these shares as "restricted awards" under our 2020 equity incentive plan. These shares vest on the one year anniversary of the grant date. The grantees have no rights or privileges as a stockholder of our company with respect to the unvested shares including, without limitation, the right to vote such shares and receive all dividends or other distributions paid with respect to such shares.

David A. Guarino

We pay David A. Guarino \$14,000 per month for his services and a \$750 monthly car allowance. Effective April 28, 2017, we issued 130,000 shares of common stock to Mr. Guarino, who was appointed as the chief financial officer, secretary, treasurer and a director of our company on the same date.

On April 3, 2020, we granted 150,000 stock options to Mr. Guarino. The stock options are exercisable at the exercise price of \$0.53 per share until April 2, 2030 and vest as to 50% on the date of grant and 50% on the one year anniversary of the date of grant.

On April 30, 2020, we granted an award of 100,000 shares of our common stock to Mr. Guarino. We granted these shares as "restricted awards" under our 2020 equity incentive plan. These shares vest on the one year anniversary of the date of grant. The grantees have no rights or privileges as a stockholder of our company with respect to the unvested shares including, without limitation, the right to vote such shares and receive all dividends or other distributions paid with respect to such shares.

On March 31, 2021, we granted 200,000 stock options to Mr. Guarino. The stock options are exercisable at the exercise price of \$1.09 per share until March 31, 2031. The stock options vest as to 50% on the date of grant and 50% on the one year anniversary of the date of grant.

On March 31, 2021, we granted an award of 100,000 shares of our common stock to Mr. Guarino. We granted these shares as "restricted awards" under our 2020 equity incentive plan. These shares vest on the one year anniversary of the date of grant. The grantees have no rights or privileges as a stockholder of our company with respect to the unvested shares including, without limitation, the right to vote such shares and receive all dividends or other distributions paid with respect to such shares.

Retirement or Similar Benefit Plans

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

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

Other than the provisions of the employment agreement with Mr. Wright described below, we have no contract, agreement, plan or arrangement, whether written or unwritten, that provides for payments to our directors or named executive officers at, following, or in connection with the resignation, retirement or other termination of our directors or named executive officers, or a change in control of our company or a change in our directors' or named executive officers' responsibilities following a change in control.

If, within 90 days of the occurrence of a change of control event, Mr. Wright resigns from his employment relationship with our company or our company terminates his employment agreement for any reason other than for just cause, then we agreed to pay Mr. Wright severance in an amount equal to the following: 36 months' salary plus an amount, if any, equal to the following: one month's salary multiplied by the number of calendar years, starting on the effective date of the employment agreement, that Mr. Wright is employed by our company under his employment agreement.

We may terminate Mr. Wright's employment at any time for other than just cause by delivering to Mr. Wright written notice of termination. In such a case, we agreed to pay Mr. Wright severance in an amount equal to the following: 36 months' salary plus an amount, if any, equal to the following: one month's salary multiplied by the number of calendar years, starting on the effective date of the employment, that Mr. Wright is employed by our company under his employment agreement.

Subject to applicable employment laws or similar legislation, we may terminate Mr. Wright's employment in the event he has been unable to perform his duties for a period of eight consecutive months or a cumulative period of 12 months in any consecutive 24-month period, because of a physical or mental disability. Mr. Wright's employment will automatically terminate on his death. In the event Mr. Wright's employment with our company terminates by reason of Mr. Wright's death or disability, then upon and immediately effective on the date of termination we agreed to promptly pay and provide Mr. Wright (or in the event of Mr. Wright's death, Mr. Wright's estate); any unpaid salary and any outstanding and accrued regular and special vacation pay through the date of termination; reimbursement for any unreimbursed expenses incurred through to the date of termination; and any outstanding amounts due under any awards which will be dealt with in accordance with our 2013 equity incentive plan, 2018 stock option plan or 2020 equity incentive plan and the award agreement. In the event Mr. Wright's employment is terminated due to a disability, we agreed to pay to Mr. Wright the severance referred to above.

We may terminate Mr. Wright's employment for just cause at any time by delivering to Mr. Wright written notice of termination. In the event that Mr. Wright's employment with our company is terminated by our company for just cause, Mr. Wright will not be entitled to any additional payments or benefits (except as otherwise provided in his employment agreement), other than for amounts due and owing to Mr. Wright by our company as of the date of termination, except for any awards under our 2013 equity incentive plan, 2018 stock option plan or 2020 equity incentive plan will be dealt with in accordance with the plan and award agreement.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth for each named executive officer certain information concerning the outstanding equity awards as of March 31, 2021:

Name	Option awards					Stock awards			
	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares of stock that have not vested (\$)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$)
Richard A. Wright	250,000	250,000	250,000	\$0.53	April 3, 2030	Nil	Nil	200,000	218,000
David A. Guarino	200,000	200,000	200,000	\$0.53	April 3, 2030	Nil	Nil	100,000	109,000

Compensation of Directors

The particulars of compensation paid to our directors who are not named executive officers for the fiscal year ended March 31, 2021 are set out in the following director compensation table:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Aaron Keay	Nil	200,000 ⁽¹⁾	400,000 ⁽²⁾	Nil	Nil	Nil	600,000
Bruce Leitch ⁽³⁾	Nil	Nil ⁽⁴⁾	Nil ⁽⁵⁾	Nil	Nil	Nil	Nil
Brian Sudano	Nil	25,000 ⁽⁴⁾	53,500 ⁽⁵⁾	Nil	Nil	Nil	78,500
Frank Lazaran ⁽⁸⁾	Nil	25,000 ⁽⁷⁾	53,500 ⁽⁸⁾	Nil	Nil	Nil	78,500

Note:

- (1) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 200,000 of restricted stock awards effective April 30, 2020 (valued at \$200,000).
- (2) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 250,000 stock options with an exercise price of \$0.53 per share effective April 3, 2020 (valued at \$132,500) and the issuance of 250,000 stock options with an exercise price of \$1.07 effective March 31, 2021 (valued at \$267,500).
- (3) Bruce Leitch resigned as a director of our company effective October 8, 2020.
- (4) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 25,000 of restricted stock awards effective April 30, 2020 (valued at \$25,000).
- (5) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 50,000 stock options with an exercise price of \$1.07 effective March 31, 2021 (valued at \$53,500).
- (6) Effective October 8, 2020, Frank Lazaran was appointed as a director of our company.
- (7) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 25,000 of restricted stock awards effective April 30, 2020 (valued at \$25,000).
- (8) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 50,000 stock options with an exercise price of \$1.07 effective March 31, 2021 (valued at \$53,500).

On April 3, 2020, we granted 10,000 stock options to Bruce Leitch, a former director of our company. These stock options are exercisable at the exercise price of \$0.53 per share until April 2, 2030. Upon Mr. Leitch's resignation as a director of our company effective October 8, 2020, these stock options were terminated. On April 3, 2020, we granted 100,000 stock options to Brian Sudano, a director of our company. These stock options are exercisable at the exercise price of \$0.53 per share until April 2, 2030 and vested as to one third on the date of grant and one third vest or will vest on each anniversary of the date of grant. On April 3, 2020, we granted 250,000 stock options to Aaron Keay, a director of our company. These stock options are exercisable at the exercise price of \$0.53 per share until April 2, 2030 and vested as to 50% on the date of grant and 50% on the one-year anniversary of the date of grant.

On April 30, 2020, we granted an award of 25,000 shares of our common stock to Bruce Leitch, a former director of our company. These shares vested on the date of grant. On April 30, 2020, we granted an award of 25,000 shares of our common stock to Brian Sudano, a director of our company. 50% of these shares vested on the one-year anniversary of grant and 50% of these shares will vest on the second year anniversary of the date of grant. On April 30, 2020, we granted an award of 200,000 shares of our common stock to Aaron Keay, a director of our company. These shares vested on the one-year anniversary of the date of grant. We granted these shares as "restricted awards" under our 2020 equity incentive plan. The grantees have no rights or privileges as a stockholder of our company with respect to the unvested shares including, without limitation, the right to vote such shares and receive all dividends or other distributions paid with respect to such shares.

On March 31, 2021, we granted 250,000 stock options to Aaron Keay, a director of our company. These stock options are exercisable at the exercise price of \$1.09 per share until March 31, 2031 and vested as to 50% on the date of grant and 50% on the one-year anniversary of the date of grant. On March 31, 2021, we granted 50,000 stock options to Brian Sudano, a director of our company. These stock options are exercisable at the exercise price of \$1.09 per share until March 31, 2031 and will vest as to 50% on each anniversary of the date of grant. On March 31, 2021, we granted 50,000 stock options to Frank Lazaran, a director of our company. These stock options are exercisable at the exercise price of \$1.09 per share until March 31, 2031 and will vest as to 50% on each anniversary of the date of grant.

On March 31, 2021, we granted an award of 25,000 shares of our common stock to Brian Sudano, a director of our company. These shares vest on the one-year anniversary of the date of grant. On March 31, 2021, we granted an award of 150,000 shares of our common stock to Aaron Keay, a director of our company. These shares vest on the one-year anniversary of the date of grant. On

March 31, 2021, we granted an award of 25,000 shares of our common stock to Frank Lazaran, a director of our company. These shares vest on the one-year anniversary of the date of grant. We granted these shares as "restricted awards" under our 2020 equity incentive plan. The grantees have no rights or privileges as a stockholder of our company with respect to the unvested shares including, without limitation, the right to vote such shares and receive all dividends or other distributions paid with respect to such shares.

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

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

The following table sets forth, as of July 1, 2021, certain information with respect to the beneficial ownership of our common stock by each stockholder known by us to be the beneficial owner of more than 5% of any class of our voting securities and by each of our directors and our named executive officers (as defined in the "Executive Compensation") and by our current executive officers and directors as a group.

Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percentage of Class ⁽²⁾
Richard A. Wright	Common Stock	4,275,000 ⁽³⁾	4.76%
David A. Guarino	Common Stock	2,259,300 ⁽⁴⁾	2.52%
Aaron Keay	Common Stock	925,000 ⁽⁵⁾	*
Frank Lazaran	Common Stock	63,333 ⁽⁶⁾	*
Brian Sudano	Common Stock	104,166 ⁽⁷⁾	*
All executive officers and directors as a group (5 persons)	Common Stock	7,626,799⁽⁸⁾	8.62%

* Less than 1%.

- (1) Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Common stock subject to options or warrants currently exercisable or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage ownership of the person holding such option or warrants but are not deemed outstanding for purposes of computing the percentage ownership of any other person.
- (2) Percentage of common stock is based on 89,761,122 shares of our common stock issued and outstanding as of July 1, 2021.
- (3) Includes 375,000 stock options exercisable within 60 days.
- (4) Includes 250,000 stock options exercisable within 60 days.
- (5) Includes 825,000 stock options exercisable within 60 days.
- (6) Includes 25,000 stock options exercisable within 60 days.
- (7) Includes 91,666 stock options exercisable within 60 days.
- (8) Includes 1,591,666 stock options exercisable within 60 days.

Changes in Control

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

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

Other than as disclosed below, there has been no transaction, since April 1, 2019, or currently proposed transaction, in which our company was or is to be a participant and the amount involved exceeds \$120,000, being the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years, and in which any of the following persons had or will have a direct or indirect material interest:

- (a) Any director or executive officer of our company;
- (b) Any person who beneficially owns, directly or indirectly, more than 5% of any class of our voting securities;
- (c) Any person who acquired control of our company when it was a shell company or any person that is part of a group, consisting of two or more persons that agreed to act together for the purpose of acquiring, holding, voting or disposing of our common stock, that acquired control of our company when it was a shell company; and
- (d) Any member of the immediate family (including spouse, parents, children, siblings and in-laws) of any of the foregoing persons.

On February 14, 2018, December 31, 2018 and March 30, 2020, David A. Guarino, our chief financial officer, secretary, treasurer and director, entered into two separate guarantee agreements with CNH Specialty Finance in order for CNH Specialty Finance to agree to provide our company two separate \$400,000 temporary order advances under the credit facility agreement. Under the guarantee agreements, Mr. Guarino personally, absolutely, and unconditionally, jointly and severally, guaranteed the prompt, complete and full payment of our obligations to repay each of the temporary order advances only, under the credit agreement, with CNH Specialty Finance.

On May 25, 2016, we entered into an agreement with BMC Strategic Associates ("**BMCSA**"), a division of Beverage Marketing Corporation, with regard to a possible strategic transaction "relationship" involving the Alkaline88 brand and all assets related to such brand. Brian Sudano, a director of our company, is Managing Partner of Beverage Marketing Corporation and BMC Strategic Associates. During the term of the agreement, BMCSA has the exclusive right to represent our company in the developing a strategic relationship (defined as any investment, joint venture, etc. involving the Alkaline88 brand and all assets related to such brand and a strategic party who is more than a mere financier). The agreement provides that if our company consummates a strategic relationship during the term of the agreement with any party, licensor, joint venture partner, etc., or within 18 months of the date of termination of the agreement, then we must pay BMCSA, at closing of such strategic relationship, a commission based upon the value of the strategic relationship as follows: 5% for the first \$2 million, 4% for next \$2 million, 3% for next \$2 million, 2% for next \$2 million and 1% of the total amount above \$8 million, provided however, in no event will the commission be less than \$500,000. We agreed to reimburse BMCSA on a monthly basis for all reasonable out-of-pocket expenses incurred by BMCSA in connection with the performance of services provided under the agreement. The agreement continues in force until terminated by either party in writing upon at least 30 days' written notice. Since April 1, 2017, we paid BMCSA an aggregate of \$25,145 in consideration of the consulting services provided by BMCSA under the agreement.

Ronald DaVella

On May 1, 2019, we appointed Ronald DaVella as our Executive Vice President of Finance. On April 25, 2019, we entered into an employment agreement with Ronald DaVella pursuant to which Mr. DaVella agreed to act as our Executive Vice President of Finance and to perform such duties as are regularly and customarily performed by the executive vice president of finance of a corporation, and any other duties consistent with Mr. Da Vella's position in our company. Pursuant to the terms of the employment agreement we agreed to: (i) pay Mr. DaVella \$14,000 per month or such other amount as may be determined by our board of directors from time to time, (ii) pay a monthly car allowance of \$800, and (iii) pay a monthly cell phone allowance of \$150.

In addition, we agreed to grant Mr. DaVella (i) 75,000 shares of restricted common stock, with 50,000 shares vesting on the six month anniversary of the effective date of his employment agreement and 25,000 shares vesting on the one year anniversary of the effective date of his employment agreement and (ii) 200,000 stock options vesting over three years, with one-third vesting on each yearly anniversary date of his employment agreement.

In addition, Mr. DaVella was entitled to participate in all of our employee benefit plans provided by our company to our senior officers. If we did not provide such plans at any time, we agreed to reimburse Mr. DaVella for the reasonable cost of any such plans obtained privately. We also agreed to reimburse Mr. DaVella for any expenses that he incurred in connection with his duties under his employment agreement.

Effective as of January 1, 2020, Mr. DaVella resigned as our Executive Vice President of Finance. In addition, effective as of January 1, 2020, we entered into a separation agreement & release of all claims with Mr. DaVella, pursuant to which the parties agreed that Mr. Davella's employment with Alkaline 88, LLC ended effective January 1, 2020 and the employment agreement dated April 25, 2019 between Mr. DaVella and The Alkaline Water Company Inc. is terminated effective January 1, 2020. Pursuant to the separation agreement & release of all claims, we agreed to pay Mr. Davella five full months of severance at his then compensation level of \$14,000 monthly plus \$950 per month for auto and cell phone allowance, less all applicable deductions and withholdings. We also agreed to maintain Mr. Davella and his family on our corporate health plan until June 30, 2020 at our sole cost and expense. In addition, we agreed to issue Mr. Davella 50,000 shares of our common stock (issued on April 30, 2020).

Compensation for Named Executive Officers and Directors

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

Director Independence

We currently act with five directors consisting of Richard A. Wright, David A. Guarino, Aaron Keay, Frank Lazaran and Brian Sudano. Our common stock is listed on the Nasdaq Capital Market. Under Nasdaq Marketplace Rule 5605(a)(2), a director is not independent if he or she is also an executive officer or employee of the corporation or was, at any time during the past three years, employed by the corporation. Using this definition of independent director, we have three independent directors, Aaron Keay, Frank Lazaran, and Brian Sudano

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

The following table sets forth the fees billed to our company for the years ended March 31, 2021 and 2020 for professional services rendered by Prager Metis CPAs, LLC:

Fees	2021	2020
Audit Fees	\$ 130,000	99,756
Audit Related Fees	-	-
Tax Fees	-	-
Other Fees	\$ 25,000	30,290

Other fees for the years ended March 31, 2021 and 2020 were for quarterly reviews, consents for registration statements and comfort letters.

Pre-Approval Policies and Procedures

Our audit committee reviews and pre-approves all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by our independent registered public accounting firm. All of the above services and fees were reviewed and approved by our audit committee before the respective services were rendered.

Our board of directors has considered the nature and amount of fees billed by Prager Metis CPAs, LLC and by AMC Auditing, LLC and believes that the provision of services for activities unrelated to the audit is compatible with maintaining their independence.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description
(3)	Articles of Incorporation and Bylaws
<u>3.1</u>	<u>Articles of Incorporation (incorporated by reference from our Form S-1 Registration Statement, filed on October 28, 2011)</u>
<u>3.2</u>	<u>Certificate of Change (incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2013)</u>
<u>3.3</u>	<u>Articles of Merger (incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2013)</u>
<u>3.4</u>	<u>Certificate of Amendment to Articles of Incorporation (incorporated by reference from our Current Report on Form 8-K, filed on October 11, 2013)</u>
<u>3.5</u>	<u>Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on October 11, 2013)</u>
<u>3.6</u>	<u>Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on November 12, 2013)</u>
<u>3.7</u>	<u>Certificate of Change (incorporated by reference from our Current Report on Form 8-K, filed on December 30, 2015)</u>
<u>3.8</u>	<u>Certificate of Amendment to Articles of Incorporation (incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016)</u>
<u>3.9</u>	<u>Certificate of Amendment to Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016)</u>
<u>3.10</u>	<u>Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on April 5, 2016)</u>
<u>3.11</u>	<u>Certificate of Withdrawal of Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on April 4, 2017)</u>
<u>3.12</u>	<u>Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on May 4, 2017)</u>

- [3.13](#) [Certificate of Amendment to Certificate of Designation \(incorporated by reference from our Current Report on Form 8-K, filed on November 6, 2017\)](#)
- [3.14](#) [Certificate of Withdrawal of Certificate of Designation \(incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 20, 2017\)](#)
- [3.15](#) [Certificate of Designation \(incorporated by reference from our Current Report on Form 8-K, filed on May 19, 2021\)](#)
- [3.16](#) [Amended and Restated Bylaws \(incorporated by reference from our Current Report on Form 8-K, filed on October 15, 2018\)](#)

(10) Material Contracts

- [10.1](#) [Contract Packer Agreement dated November 14, 2012 between Alkaline 84, LLC and AZ Bottled Water, LLC \(incorporated by reference from our Current Report on Form 8-K, filed on June 5, 2013\)](#)
- [10.2](#) [Contract Packer Agreement dated October 7, 2013 with White Water, LLC \(incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 13, 2013\)](#)
- [10.3](#) [Manufacturing Agreement dated August 15, 2013 with Water Engineering Solutions, LLC \(incorporated by reference from our Registration Statement on Form S-1, filed on November 27, 2013\)](#)
- [10.4](#) [Equipment Lease Agreement dated January 17, 2014 \(incorporated by reference from our Current Report on Form 8-K, filed on January 27, 2014\)](#)
- [10.5](#) [Revolving Accounts Receivable Funding Agreement dated February 20, 2014 \(incorporated by reference from our Current Report on Form 8-K, filed on February 25, 2014\)](#)
- [10.6](#) [Form of Securities Purchase Agreement dated as of April 28, 2014, between The Alkaline Water Company Inc. and the purchasers named therein \(incorporated by reference from our Current Report on Form 8-K, filed on May 6, 2014\)](#)
- [10.7](#) [Form of Common Stock Purchase Warrant \(incorporated by reference from our Current Report on Form 8-K, filed on May 6, 2014\)](#)
- [10.8](#) [Form of Placement Agent Common Stock Purchase Warrant \(incorporated by reference from our Current Report on Form 8-K, filed on May 6, 2014\)](#)
- [10.9](#) [Amendment #1 dated February 12, 2014 to Equipment Lease Agreement \(incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2014\)](#)
- [10.10](#) [Equipment Sale/Lease Back Agreement dated April 2, 2014 \(incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2014\)](#)
- [10.11](#) [Agreement dated August 12, 2014 with H.C. Wainwright & Co., LLC \(incorporated by reference from our Current Report on Form 8-K, filed on August 21, 2014\)](#)
- [10.12](#) [Form of Warrant Amendment Agreement \(incorporated by reference from our Current Report on Form 8-K, filed on August 21, 2014\)](#)
- [10.13](#) [Form of Common Stock Purchase Warrant \(incorporated by reference from our Current Report on Form 8-K, filed on August 21, 2014\)](#)
- [10.14](#) [Form of Warrant Amendment Agreement \(incorporated by reference from our Current Report on Form 8-K, filed on October 9, 2014\)](#)
- [10.15](#) [Form of Common Stock Purchase Warrant \(incorporated by reference from our Current Report on Form 8-K, filed on October 9, 2014\)](#)
- [10.16](#) [Master Lease Agreement dated October 28, 2014 with Veterans Capital Fund, LLC \(incorporated by reference from our Current Report on Form 8-K, filed on November 4, 2014\)](#)
- [10.17](#) [Warrant Agreement dated October 28, 2014 with Veterans Capital Fund, LLC \(incorporated by reference from our Current Report on Form 8-K, filed on November 4, 2014\)](#)
- [10.18](#) [Registration Rights Agreement dated October 28, 2014 with Veterans Capital Fund, LLC \(incorporated by reference from our Current Report on Form 8-K, filed on November 4, 2014\)](#)
- [10.19](#) [Form of Amending Agreement to Stock Option Agreement \(incorporated by reference from our Current Report on Form 8-K, filed on November 4, 2014\)](#)
- [10.20](#) [Securities Purchase Agreement dated as of May 11, 2015 with Assurance Funding Solutions LLC \(incorporated by reference from our Annual Report on Form 10-K, filed on July 14, 2015\)](#)
- [10.21](#) [Secured Term Note dated May 2015 issued to Assurance Funding Solutions LLC \(incorporated by reference from our Annual Report on Form 10-K, filed on July 14, 2015\)](#)
- [10.22](#) [General Security Agreement dated as of May 11, 2015 with Assurance Funding Solutions LLC \(incorporated by reference from our Annual Report on Form 10-K, filed on July 14, 2015\)](#)
- [10.23](#) [Securities Purchase Agreement dated as of August 20, 2015 with Assurance Funding Solutions LLC \(incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 23, 2015\)](#)
- [10.24](#) [Secured Term Note dated August 20, 2015 issued to Assurance Funding Solutions LLC \(incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 23, 2015\)](#)

- [10.25](#) [General Security Agreement dated as of August 20, 2015 with Assurance Funding Solutions LLC \(incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 23, 2015\)](#)
- [10.26](#) [Loan Agreement dated November 30, 2015 with Neil Rogers \(incorporated by reference from our Current Report on Form 8-K, filed on December 4, 2015\)](#)
- [10.27](#) [Promissory Note dated November 30, 2015 issued to Neil Rogers \(incorporated by reference from our Current Report on Form 8-K, filed on December 4, 2015\)](#)
- [10.28](#) [Escrow Agreement dated November 30, 2015 with Neil Rogers and Escrow Agent \(incorporated by reference from our Current Report on Form 8-K, filed on December 4, 2015\)](#)
- [10.29](#) [2013 Equity Incentive Plan \(incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016\)](#)
- [10.30](#) [Loan Agreement dated January 25, 2016 with Turnstone Capital Inc. \(incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016\)](#)
- [10.31](#) [Promissory Note dated January 25, 2016 issued to Turnstone Capital Inc. \(incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016\)](#)
- [10.32](#) [Escrow Agreement dated January 25, 2016 with Turnstone Capital Inc. and Escrow Agent \(incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016\)](#)
- [10.33](#) [Amendment Agreement dated January 25, 2016 with Neil Rogers \(incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016\)](#)
- [10.34](#) [Employment Agreement dated effective March 1, 2016 with Steven P. Nickolas \(incorporated by reference from our Current Report on Form 8-K, filed on April 5, 2016\)](#)
- [10.35](#) [Employment Agreement dated effective March 1, 2016 with Richard A. Wright \(incorporated by reference from our Current Report on Form 8-K, filed on April 5, 2016\)](#)
- [10.36](#) [Form of Promissory Note and Warrant Exchange Agreement \(incorporated by reference from our Current Report on Form 8-K, filed on June 16, 2016\)](#)
- [10.37](#) [Loan Facility Agreement dated September 20, 2016 with Turnstone Capital Inc. \(incorporated by reference from our Current Report on Form 8-K, filed on September 22, 2016\)](#)
- [10.38](#) [Credit and Security Agreement dated February 1, 2017 with SCM Specialty Finance Opportunities Fund, L.P. \(incorporated by reference from our Current Report on Form 8-K, filed on February 7, 2017\)](#)
- [10.39](#) [Payoff Agreement dated February 1, 2017 with Gibraltar Business Capital, LLC \(incorporated by reference from our Current Report on Form 8-K, filed on February 7, 2017\)](#)
- [10.40](#) [Form of Stock Option Agreement \(incorporated by reference from our Current Report on Form 8-K, filed on May 4, 2017\)](#)
- [10.41](#) [Settlement Agreement and Mutual Release of Claims dated October 31, 2017 with Steven P. Nickolas, Nickolas Family Trust, Water Engineering Solutions, LLC, Enhanced Beverages, LLC, McDowell 78, LLC and Wright Investments Group, LLC \(incorporated by reference from our Current Report on Form 8-K, filed on November 6, 2017\)](#)
- [10.42](#) [Exchange Agreement and Mutual Release of Claims dated November 8, 2017 with Ricky Wright \(incorporated by reference from our Current Report on Form 8-K, filed on November 14, 2017\)](#)
- [10.43](#) [Stock Option Forfeiture & General Release dated November 8, 2017 by Ricky Wright and Sharon Wright \(incorporated by reference from our Current Report on Form 8-K, filed on November 14, 2017\)](#)
- [10.44](#) [Form of Warrant Amendment Agreement \(incorporated by reference from our Current Report on Form 8-K, filed on February 22, 2018\)](#)
- [10.45](#) [Form of Common Stock Purchase Warrant \(incorporated by reference from our Current Report on Form 8-K, filed on March 5, 2018\)](#)
- [10.46](#) [2018 Stock Option Plan \(incorporated by reference from our Current Report on Form 8-K, filed on April 25, 2018\)](#)
- [10.47](#) [Form of Subscription Agreement \(incorporated by reference from our Current Report on Form 8-K filed on May 31, 2018\)](#)
- [10.48](#) [Form of Subscription Agreement \(incorporated by reference from our Current Report on Form 8-K filed on October 3, 2018\)](#)
- [10.49](#) [Underwriting Agreement, dated March 8, 2019, by and between The Alkaline Water Company Inc. and Canaccord Genuity LLC, as representative of the underwriters named therein \(incorporated by reference from our Current Report on Form 8-K, filed on March 11, 2019\)](#)
- [10.50](#) [Employment Agreement dated April 25, 2019 with Ronald DeVella \(incorporated by reference from our Current Report on Form 8-K filed on May 3, 2019\)](#)
- [10.51](#) [Sixth Amendment to Credit and Security Agreement dated June 27, 2019 with CNH Finance Fund I, L.P. \(incorporated by reference from our Annual Report on Form 10-K filed on July 1, 2019\)](#)

- [10.52](#) [Agreement and Plan of Merger, dated as of September 9, 2019 among The Alkaline Water Company Inc., AQUAhydrate, Inc. and AWC Acquisition Company Inc. \(incorporated by reference from our Current Report on Form 8-K filed on September 12, 2019\)](#)
- [10.53](#) [Amendment to the Agreement and Plan of Merger, dated as of October 31, 2019 among The Alkaline Water Company Inc., AQUAhydrate, Inc. and AWC Acquisition Company Inc. \(incorporated by reference from our Current Report on Form 8-K filed on November 6, 2019\)](#)
- [10.54](#) [Form of Subscription Agreement \(incorporated by reference from our Current Report on Form 8-K filed on April 20, 2020\)](#)
- [10.55](#) [2020 Equity Incentive Plan \(incorporated by reference from our Current Report on Form 8-K filed on April 28, 2020\)](#)
- [10.56](#) [Form of Subscription Agreement \(incorporated by reference from our Current Report on Form 8-K filed on May 13, 2020\)](#)
- [10.57](#) [Sales Agreement, dated as of February 22, 2021, by and between The Alkaline Water Company Inc. and Roth Capital Partners, LLC** \(incorporated by reference from our Current Report on Form 8-K filed on February 23, 2021\)](#)
- [10.58](#) [Form of Subscription Agreement \(incorporated by reference from our Current Report on Form 8-K filed on March 2, 2021\)](#)
- [10.59](#) [Endorsement Agreement executed May 12, 2021 by The Alkaline Water Company Inc. and ABG-Shaq, LLC \(incorporated by reference from our Current Report on Form 8-K filed on May 13, 2021\)](#)
- (16)** **Letter regarding Change in Certifying Accountant**
- [16.1](#) [Letter from AMC Auditing, LLC dated April 29, 2019 \(incorporated by reference from our Current Report on Form 8-K filed on May 1, 2019\)](#)
- (21)** **Subsidiaries**
- [21.1*](#) Subsidiaries of The Alkaline Water Company Inc.
A88 Infused Beverage Division Inc., a Nevada corporation
A88 International, Inc., a Nevada corporation
A88 Infused Products Inc., a Nevada corporation
AWC Acquisition Company Inc., a Nevada corporation
Alkaline 88, LLC, an Arizona limited liability company
- (23)** **Consents of Experts and Counsel**
- [23.1*](#) [Consent of Prager Metis CPAs, LLC](#)
- (31)** **Rule 13a-14 Certifications**
- [31.1*](#) [Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002](#)
- [31.2*](#) [Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002](#)
- (32)** **Section 1350 Certifications**
- [32.1*](#) [Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002](#)
- [32.2*](#) [Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002](#)
- (101)** **Interactive Data File**
- [101.INS*](#) [XBRL Instance Document](#)
- [101.SCH*](#) [XBRL Taxonomy Extension Schema](#)
- [101.CAL*](#) [XBRL Taxonomy Extension Calculation Linkbase](#)
- [101.DEF*](#) [XBRL Taxonomy Extension Definition Linkbase](#)
- [101.LAB*](#) [XBRL Taxonomy Extension Label Linkbase](#)
- [101.PRE*](#) [XBRL Taxonomy Extension Presentation Linkbase](#)

*Filed herewith.

**Non-material schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to furnish supplemental copies of any of the omitted schedules and exhibits upon request by the SEC.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

The Alkaline Water Company Inc.

By: /s/ Richard A. Wright

Richard A. Wright
President, Chief Executive Officer and Director
(Principal Executive Officer)
Date: July 2, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Richard A. Wright

Richard A. Wright
President, Chief Executive Officer and Director
(Principal Executive Officer)
Date: July 2, 2021

By: /s/ David A. Guarino

David A. Guarino
Chief Financial Officer, Treasurer and Director
(Principal Financial Officer and Principal Accounting
Officer)
Date: July 2, 2021

By: /s/ Aaron Keay

Aaron Keay
Director
Date: July 2, 2021

By: /s/ Frank Lazaran

Frank Lazaran
Director
Date: July 2, 2021

By: /s/ Brian Sudano

Brian Sudano
Director
Date: July 2, 2021