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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended **December 31, 2019**

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

Commission File Number **000-55096**

**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.)

**14646 N. Kierland Blvd, Suite 255, Scottsdale, AZ**

(Address of principal executive offices)

**85254**

(Zip Code)

**(480) 656-2423**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

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

Title of Each Class  
**Common stock, par value \$0.001 per share**

Trading Symbol(s)  
**WTER**

Name of each exchange on which registered  
**The Nasdaq Stock Market LLC**

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

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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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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

**45,585,592 shares of common stock issued and outstanding as of February 10, 2020.**

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements.

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**THE ALKALINE WATER COMPANY INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>December 31, 2019</b>	<b>March 31, 2019</b>
	<b>(unaudited)</b>	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 4,173,551	\$ 11,032,451
Accounts receivable	3,295,331	3,068,181
Inventory	2,367,125	2,058,012
Prepaid expenses	1,999,656	378,699
Operating lease right-of-use asset - current portion	65,255	
<b>Total current assets</b>	<b>11,900,918</b>	<b>16,537,343</b>
Property and Equipment, net	1,461,790	1,945,265
<b>Total assets</b>	<b>\$ 13,362,708</b>	<b>\$ 18,482,608</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 4,948,249	\$ 2,898,958
Accrued expenses	999,218	1,095,458
Revolving financing	2,895,444	3,131,279
Operating lease liability - current portion	76,266	-
<b>Total liabilities</b>	<b>8,919,177</b>	<b>7,125,695</b>
Stockholders' equity		
Preferred stock, \$0.001 par value, 100,000,000 shares authorized, Series C issued 1,500,000 and Series D issued 3,800,000 at December 31, 2019 and March 31, 2019	5,300	5,300
Common stock, Class A - \$0.001 par value, 200,000,000 shares authorized 43,685,592 and 39,573,512 shares issued and outstanding at December 31, 2019 and March 31, 2019, respectively	43,685	39,573
Additional paid in capital	53,932,243	50,006,919
Accumulated deficit	(49,537,697)	(38,694,879)
<b>Total stockholders' equity</b>	<b>4,443,531</b>	<b>11,356,913</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 13,362,708</b>	<b>\$ 18,482,608</b>

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

**THE ALKALINE WATER COMPANY INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
(unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Revenue	\$ 8,455,030	\$ 7,691,013	\$ 29,053,052	\$ 24,211,398
Cost of Goods Sold	<u>5,061,324</u>	<u>4,822,694</u>	<u>17,048,951</u>	<u>14,301,068</u>
Gross Profit	<u>3,393,706</u>	<u>2,868,319</u>	<u>12,004,101</u>	<u>9,910,330</u>
Operating expenses				
Sales and marketing expenses	4,077,599	3,650,105	13,359,941	9,846,940
General and administrative	1,812,763	2,718,567	8,439,405	5,096,043
Depreciation	<u>254,220</u>	<u>110,613</u>	<u>727,917</u>	<u>334,769</u>
Total operating expenses	<u>6,144,582</u>	<u>6,479,285</u>	<u>22,527,263</u>	<u>15,277,752</u>
Total operating loss	<u>(2,750,876)</u>	<u>(3,610,966)</u>	<u>(10,523,162)</u>	<u>(5,367,422)</u>
Other (expense)				
Interest expense	<u>(110,797)</u>	<u>(144,606)</u>	<u>(319,656)</u>	<u>(413,868)</u>
Total other (expense)	<u>(110,797)</u>	<u>(144,606)</u>	<u>(319,656)</u>	<u>(413,868)</u>
Net loss	<u>\$ (2,861,673)</u>	<u>\$ (3,755,572)</u>	<u>\$ (10,842,818)</u>	<u>\$ (5,781,290)</u>
LOSS PER SHARE (Basic and Diluted)	<u>\$ (0.07)</u>	<u>\$ (0.11)</u>	<u>\$ (0.26)</u>	<u>\$ (0.19)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING (Basic and Diluted)	<u>43,685,592</u>	<u>32,814,187</u>	<u>42,187,056</u>	<u>30,765,915</u>

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

**THE ALKALINE WATER COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	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
Warrant exercises			1,774,000	1,774	1,178,712		1,180,486
Stock option expense					1,103,740		1,103,740
Net loss						(5,056,188)	(5,056,188)
Balance, June 30, 2019	5,300,000	\$ 5,300	41,347,512	\$ 41,347	\$ 52,289,371	\$ (43,751,067)	\$ 8,584,951
Warrant exercises			2,200,000	2,200	1,317,800		1,320,000
Stock option exercise			138,080	138	(138)		
Stock option expense					162,605		162,605
Net loss						(2,924,957)	(2,924,957)
Balance, September 30, 2019	5,300,000	5,300	43,685,592	43,685	53,769,638	(46,676,024)	7,142,599
Stock option expense					162,605		162,605
Net loss						(2,861,673)	(2,861,673)
Balance, December 31, 2019	<u>5,300,000</u>	<u>\$ 5,300</u>	<u>43,685,592</u>	<u>\$ 43,685</u>	<u>\$ 53,932,243</u>	<u>\$ (49,537,697)</u>	<u>\$ 4,443,531</u>
Balance, March 31, 2018	5,300,000	\$ 5,300	25,991,346	\$ 25,990	\$ 30,506,265	\$ (30,077,314)	460,241
Shares issued in connection with offerings			5,131,665	5,132	3,843,668		3,848,800
Net loss						(1,090,584)	(1,090,584)
Balance, June 30, 2018	5,300,000	\$ 5,300	31,123,011	\$ 31,122	\$ 34,349,933	\$ (31,167,898)	\$ 3,218,457
Shares issued in connection with offerings			1,619,947	1,620	3,236,408		3,238,028
Net loss						(935,134)	(935,134)
Balance, September 30, 2018	5,300,000	5,300	32,742,958	\$ 32,742	\$ 37,586,341	\$ (32,103,032)	\$ 5,521,351
Warrant exercises			1,275,832	1,276	1,146,973		1,148,249
Stock option exercise			74,221	75	(75)		-
Stock option expense					393,460		393,460
Net loss						(3,755,572)	(3,755,572)
Balance, December 31, 2018	<u>5,300,000</u>	<u>\$ 5,300</u>	<u>34,093,011</u>	<u>\$ 34,093</u>	<u>\$ 39,126,699</u>	<u>\$ (35,858,604)</u>	<u>\$ 3,307,488</u>

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

**THE ALKALINE WATER COMPANY INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

	For the Nine Months	
	December 31, 2019	December 31, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (10,842,818)	\$ (5,781,290)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	727,917	334,769
Stock compensation expense	1,428,950	393,460
Warrant Expense	-	131,030
Right-of-use asset amortization	11,011	-
Changes in operating assets and liabilities:		
Accounts receivable	(227,150)	521,367

Inventory	(309,113)	(701,777)
Prepaid expenses and other current assets	(1,620,957)	115,387
Accounts payable	2,049,291	270,254
Accrued expenses	(96,240)	(139,949)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(8,879,109)</b>	<b>(4,856,749)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(244,442)	(1,174,458)
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(244,442)</b>	<b>(1,174,458)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds (payments) from revolving financing	(235,835)	157,283
Proceeds from sale of common stock, net	-	6,955,798
Proceeds for the exercise of warrants, net	2,500,486	1,148,249
Repayment of notes payable	-	(131,583)
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>2,264,651</b>	<b>8,129,747</b>
<b>NET CHANGE IN CASH</b>	<b>(6,858,900)</b>	<b>2,098,540</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>11,032,451</b>	<b>988,905</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 4,173,551</b>	<b>\$ 3,087,445</b>
<b>INTEREST PAID</b>	<b>\$ 235,197</b>	<b>\$ 333,534</b>
<b>TAXES PAID</b>	<b>\$ -</b>	<b>\$ -</b>

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

**THE ALKALINE WATER COMPANY INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

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

Nature of Business

The Alkaline Water Company Inc. and its four wholly owned subsidiaries shall collectively be referred to as the "Company." The Company offers retail consumers bottled alkaline water in 500-milliliter, 700-milliliter, 1-liter, 1.5 -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. The Company also sells to retail customers flavor infused bottled water in the 500-milliliter size in six flavors: Raspberry, Watermelon, Lemon, Lemon Lime, Peach Mango, and Blood Orange

Basis of presentation

These unaudited financial statements represent the condensed consolidated financial statements of the Company. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and the notes thereto as set forth in the Company's Form 10-K, filed with the SEC on July 1, 2019, which included all disclosures required by generally accepted accounting principles ("GAAP") In the opinion of management, these unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the Company's financial position on a consolidated basis and the consolidated results of operations, equity and cash flows for the interim periods presented. The results of operations for the three and nine months ended December 31, 2019 and 2018 are not necessarily indicative of expected operating results for the full year. The information presented throughout the document as of and for the three and nine months ended December 31, 2019 and 2018 is unaudited. The condensed consolidated balance sheet at March 31, 2019 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles in the U.S. for complete financial statements.

Principles of consolidation

The consolidated financial statements include the accounts of The Alkaline Water Company Inc. (a Nevada Corporation) and its four wholly owned subsidiaries: A88 Infused Beverage Division Inc. (a Nevada Corporation), A88 International, Inc. (a Nevada Corporation), A88 Infused Products Inc. (a Nevada Corporation), and Alkaline 88, LLC (an Arizona Limited Liability Company).

All significant intercompany balances and transactions have been eliminated. 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. The Company had \$4,173,551 and \$11,032,451 in cash at December 31, 2019 and March 31, 2019, respectively.

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#### 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 December 31, 2019 and March 31, 2019:

	<b><u>December 31,</u></b>	<b><u>March 31,</u></b>
	<b>2019</b>	<b>2019</b>
Trade receivables	\$ 3,335,331	\$ 3,108,181
Less: Allowance for doubtful accounts	(40,000)	(40,000)
Net accounts receivable	\$ 3,295,331	3,068,181

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 3.

#### 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 3.

As of December 31, 2019, and March, 31 2019, inventory consisted of the following:

	<b><u>December 31, 2019</u></b>	<b><u>March 31, 2019</u></b>
Raw materials	\$ 1,118,275	\$ 1,066,105
Finished goods	1,248,850	991,907
Total inventory	\$ 2,367,125	\$ 2,058,012

#### 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, which the Company has determined to be 3 years.

#### 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.

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### Revenue recognition

The Company recognizes revenue per ASC 606. The Company recognizes revenue when the Company's performance obligations are satisfied. The Company's primary obligation (the distribution and sale of beverage products) is satisfied upon the delivery of products to the Company's 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 require 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 recognizes it as variable consideration. The amounts are not considered material. After evaluating the revenue disclosure requirements the Company does not believe that any revenues are required to be disaggregated.

Revenue consists of the gross sales price, less variable consideration, consisting of estimated allowances for which provisions are made at the time of sale, and less certain other discounts, allowances, and rebates that are accounted for as a reduction from gross revenue. 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 \$1,175,274 and \$1,266,031 for the three months ended December 31, 2019 and 2018, respectively and \$4,103,437 and \$4,166,274 for the nine months ended December 31, 2019 and 2018, respectively.

### Concentration Risks

We have 3 major customers that together account for 51% (22%, 16% and 13%, respectively) of accounts receivable at December 31, 2019. The Company has 2 customers that together accounted for 40% (26% and 14%, respectively) of the total revenues earned for the three months ended December 31, 2019 and 2 customers that together accounted for 40% (24% and 16% respectively) of the total revenues earned for the nine months ended December 31, 2019. The Company has 2 vendors that accounts for 42% (23% and 19% respectively) of purchases for the three months ended December 31, 2019 and 3 vendors that accounted for 52% (21%, 21% and 10% respectively) of purchases for the nine months ended December 31, 2019.

We had 2 major customers that together accounted for 45% (29% and 16%, respectively) of accounts receivable at December 31, 2018. The Company has 2 customers that together accounted for 47% (28% and 19%, respectively) of the total revenues earned for the three months ended December 31, 2018 and 2 customers that together accounted for 43% (24% and 19% respectively) of the total revenues earned for the nine months ended December 31, 2018. The Company has 3 vendors that accounts for 58% (36%, 11%, and 11% respectively) of purchases for the three months ended December 31, 2018 and 3 vendors that accounted for 59% (36%, 12% and 11% respectively) of purchases for the nine months ended December 31, 2018.

### Income Taxes

The Company uses an estimated annual effective tax rate method in computing its interim tax provision. This effective tax rate is based on forecasted annual pre-tax income (loss), permanent tax differences and statutory tax rates. Deferred income taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate principally to net operating loss carryforwards. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

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### 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 with 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.

The Company had 250,506 and 1,578,343 shares relating to options and -0- and 3,013,000 shares relating to warrants at December 31, 2019 and 2018, respectively 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 of 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 December 31, 2019 and 2018, the Company did not have any financial instruments that are measured on a recurring basis as Level 1, 2 or 3.

### Recent Accounting Pronouncements

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

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In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new guidance requires lessees to recognize a right-of-use asset and a lease liability for virtually all leases, other than leases with a term of 12 months or less, and to provide additional disclosures about leasing arrangements. The Company adopted this standard as of April 1, 2019, the first day of its 2020 fiscal year, using the modified retrospective approach the impact of which was not material. Upon adoption of the new guidance, the Company recognized a right of use asset of \$123,985 and an operating lease liability of \$140,004 at inception.

On April 1, 2019 the Company was required to adopt new guidance for non-employee stock options as set forth in ASC 718. Previously the Company recorded stock compensation expense on each annual vesting date which was determined to be the measurement date and valued each tranche of vested options. Under the new guidance the Company determined the value of all of the options on April 1, 2019, the inception date which became the new measurement date and calculated what the straight line amortization would be by period. As a result the Company recorded stock option expense in the amount of \$1,428,949 in the nine months ended December 31, 2019.

*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, 2019, 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 December 31, 2019 and believes that none of them will have a material effect on our consolidated financial statements.

**NOTE 2 - PROPERTY AND EQUIPMENT**

Property and Equipment consisted of the following at:

	December 31, 2019 (unaudited)	March 31, 2019
Machinery and Equipment	\$ 4,005,283	\$ 3,764,533
Office Equipment	32,991	29,300
Less: Accumulated Depreciation	(2,576,484)	(1,848,568)
Property and Equipment, net	<u>\$ 1,461,790</u>	<u>\$ 1,945,265</u>

Depreciation expense for the nine months ended December 31, 2019 and December 31, 2018 was \$727,917 and \$334,769, respectively.

**NOTE 3 - REVOLVING FINANCING**

On February 1, 2017, the Company entered into a Credit and Security Agreement (the "Credit Agreement") with SCM Specialty Finance Opportunities Fund, L.P. (the "Lender") which has been amended from time to time the last of which was June 28, 2019.

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

Under the terms of the Credit Agreement, the Lender has agreed to make cash advances to the Company in an aggregate principal at any one time outstanding not to exceed the lesser of (i) \$5 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, and is subject to certain customer specific requirements).

The Credit Agreement expires on July 1, 2021, 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 December 31, 2019 was 8.0%.

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

In connection with the Credit Agreement, the Company paid to the Lender a \$30,000 facility fee. The Company agreed to pay the Lender 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. The Company also agreed to pay the Lender 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, the Company agreed to pay the Lender a termination fee in an amount equal to 1% of the Revolving Loan Commitment Amount if the termination occurs before July 1, 2021. The Company 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 the Lender, the rendering of certain judgments or decrees against the 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 the 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 was in compliance with those covenants as of December 31, 2019.

#### **NOTE 4 - STOCKHOLDER 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.

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#### Grant of Series C Convertible Preferred Stock

On March 30, 2016, the Company designated 3,000,000 shares of the authorized and unissued preferred stock of the company as "Series C Preferred Stock" by filing a Certificate of Designation with the Secretary of State of the State of Nevada. Each share of the Series C 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 non-assessable share of our common stock at any time after (i) the Company achieves consolidated revenue equal to or greater than \$15,000,000 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 C Preferred Stock will be convertible as may be agreed by our company and the holder in writing from time to time. At December 31, 2019 and March 31, 2019, 1,500,000 shares of Series C preferred stock were convertible into common stock.

#### 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, we 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) we achieve 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. At December 31, 2019 and 2018 there were 3,800,000 shares of Series D preferred stock outstanding none of which were convertible.

#### **NOTE 5 - OPTIONS AND WARRANTS**

Effective as of April 12, 2019, the Company issued an aggregate of 74,000 shares of our common stock upon exercise of our common stock purchase warrants with an exercise price of CAD\$2.90 (US\$2.17) per share for aggregate gross proceeds of \$160,486.

Effective as of April 26, 2019, the Company issued an aggregate of 1,700,000 shares of our common stock upon exercise of our common stock purchase warrants with an exercise price of \$0.60 per share for aggregate gross proceeds of \$1,020,000. The closing of the exercise of these warrants occurred on May 7, 2019.

Effective as of September 3, 2019, the Company issued an aggregate of 2,200,000 shares of our common stock upon exercise of our common stock purchase warrants with an exercise price of \$0.60 per share for aggregate gross proceeds of \$1,320,000.

All of these shares were issued to non-U.S. persons (as the 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.

On April 1, 2019 the Company was required to adopt new guidance for non-employee stock options as set forth in ASC 718. Previously the Company recorded stock compensation expense on each annual vesting date which was determined to be the measurement date and valued each tranche of vested options. Under the new guidance the Company determined the value using Black-Scholes of all of the options on April 1, 2019, the inception date which became the new measurement date and calculated what the straight line amortization would be by period. As a result the Company recorded stock option expense for the three and nine months ended December 31, 2019 of \$162,605 and \$1,428,949 respectively. The remaining 357,500 unvested options are valued at \$216,806 and that amount will be amortized over the remaining 4 month vesting period ending April 2020.

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## NOTE 6 - 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. The Company leases its corporate office space with a size of 3,352 square feet leased from a third party through November, 2020 at the current rate of \$7,752 per month; increasing to \$7,891 in November 2019. 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 three and nine months ending December 31, 2019 was \$23,534 and \$70,043, respectively. The Company also has a short-term lease ending March 31, 2020 and the lease expense for this short-term lease for the three and nine months ended December 31, 2019 was \$12,622 and \$36,749, respectively.

The right-of-use amortization for the three and nine months ended December 31, 2019 was \$21,281 and \$65,034, respectively.

### Operating Leases:

	<b>December 31, 2019</b>
Operating lease right-of-use asset - current portion	\$ 65,255
Operating lease right-of-use asset - non-current portion	-0-
<b>Total Operating lease right-of-use asset</b>	<b>\$ 65,255</b>
Operating lease liability - current portion	\$ 76,266
Operating lease liability - non-current portion	-0-
<b>Total Operating lease liability</b>	<b>\$ 76,266</b>
Weighted average remaining lease term (in years):	
Operating leases	0.83
Weighted average discount rate:	
Operating leases	7.50%

## Note 7 - Commitments and Contingency

AQUAhydrate On September 9, 2019, the Company, AQUAhydrate, Inc. ("AQUAhydrate") and AWC Acquisition Company Inc. (the "Merger Sub"), a wholly-owned subsidiary of the Company, entered into an Agreement and Plan of Merger (the "Merger Agreement"). The Merger Agreement provides that, among other things, the Merger Sub will merge with and into AQUAhydrate with AQUAhydrate as the surviving corporation and a wholly-owned subsidiary of the Company (the "Merger"). Subject to the terms and conditions of the Merger Agreement, in consideration for the Merger, the Company agreed to, at the closing of the Merger (the "Closing"), issue to the holders of shares of AQUAhydrate's common stock, on a pro-rata basis, such number of shares of the Company's common stock (the "Company Common Stock") that is equal to 19,565,217 less any shares of the Company Common Stock to be directed by AQUAhydrate to be issued in connection with the Merger to any placement agents or other service providers, including Roth Capital Partners LLC and Emerald Partners Pty Limited, and to any other persons for the payment of any outstanding liabilities of AQUAhydrate. In addition, on the Closing, the Company agreed to issue to the holders of the shares of AQUAhydrate's preferred stock (after the capital reorganization), on a pro-rata basis, an additional 3,750,000 shares of the Company Common Stock as follows: (1) an aggregate of 1,000,000 shares of the Company Common Stock which will be subject to escrow and not released until the Company achieves trailing revenue of \$60 million in any twelve month period ending on the last day of any quarterly period of the fiscal year of the Company (each, a "Period") after the Closing; (2) an aggregate of 1,250,000 shares of the Company Common Stock which will be subject to escrow and not released until the Company achieves trailing revenue of \$80 million in any Period after the Closing; and (3) an aggregate of 1,500,000 shares of the Company Common Stock which will be subject to escrow and not released until the Company achieves trailing revenue of \$100 million in any Period after the Closing, provided that these shares of the Company Common Stock will be immediately released from escrow upon a change of control of the Company. On September 9, 2019, and subject to the Merger Agreement closing, the Company agreed to issue 750,000 stock options to purchase shares of its common stock at a price of \$3.00 per share until September 9, 2029 to Mark Wahlberg pursuant to a services agreement among the Company, Mr. Wahlberg and AQUAhydrate, Inc. The services agreement, which requires Mr. Wahlberg to provide certain promotional services to the Company, was entered into in connection with the Merger. The stock options vest as follows: (i) 25% will vest one year following the effective date of the Merger, (ii) 25% will vest once the combined company resulting from the Merger (the "Combined Company") has achieved \$80 million of revenue in any 12 month period, (iii) 25% will vest once the Combined Company has achieved \$100 million of revenue in any 12 month period and (iv) 25% will vest once the Combined Company has achieved \$125 million in revenue in any 12 month period; provided that all stock options will immediately vest upon a change of control of the Company. On September 9, 2019, the Company also granted to Mr. Wahlberg a further 250,000 stock options to purchase shares of its common stock at a price of \$3.00 per share until September 9, 2029, and such stock options will vest upon a change of control of the Company. The issuance of all of the above referenced stock options to Mr. Wahlberg is conditioned upon Mr. Wahlberg and the Company entering in to separate stock option grant agreements. In the event of the termination of the Merger Agreement, the aforementioned services agreement will automatically terminate and all of the above referenced options will automatically be forfeited. On September 9, 2019, and subject to the Merger Agreement closing, the Company agreed to issue 750,000 stock options to purchase shares of its common stock at an exercise price of \$3.00 per share until September 9, 2029 to SC Beverages LLC, a company controlled by Sean Combs, pursuant to a services agreement among the Company, SC Beverages LLC and AQUAhydrate, Inc. The services agreement, which requires Mr. Combs to provide certain promotional services to the Company, was entered into in connection with the Merger. The stock options vest as follows: (i) 25% will vest one year following the effective date of the Merger, (ii) 25% will vest once the Combined Company has achieved \$80 million of revenue in any 12 month period, (iii) 25% will vest once the Combined Company has achieved \$100 million of revenue in any 12 month period and (iv) 25% will vest once the Combined Company has achieved \$125 million in revenue in any 12 month period; provided that all stock options will immediately vest upon a change of control of the Company. On September 9, 2019, the Company also granted to SC Beverages LLC a further 250,000 stock options to purchase shares of its common stock at a price of \$3.00 per share until September 9, 2029, and such stock options will vest upon a change of control of the Company. The issuance of all of the above referenced stock options to SC Beverages, LLC is conditioned upon SC Beverages, LLC and the Company entering in to separate stock option grant agreements. In the event of the termination of the Merger Agreement, the aforementioned services agreement will automatically terminate and all of the above referenced options will automatically be forfeited. On September 9, 2019, and subject to the Merger Agreement closing, the Company agreed to issue 125,000 stock options to purchase shares of its common stock at an exercise price of \$3.00 per share until September 9, 2024 to Jillian Michaels, and 125,000 stock options to purchase shares of its common stock at an exercise price of \$3.00 per share until September 9, 2024 to G-Money, Inc. pursuant to an endorsement agreement among the Company, Ms. Michaels, G-Money, Inc., Firelight, Inc. and AQUAhydrate, Inc. The endorsement agreement, which requires Ms. Michaels to provide certain promotional services to the Company, was entered into in connection with the Merger. The stock options vest as follows: (i) 25% will vest one year following the effective date of the Merger, (ii) 25% will vest once the Combined Company has achieved \$80 million of revenue in any 12 month period, (iii) 25% will vest once the Combined Company has achieved \$100 million of revenue in any 12 month period and (iv) 25% will vest once the Combined Company has achieved \$125 million in revenue in any 12 month period; provided that all stock options will immediately vest upon a change of control of the Company. On September 9, 2019, the Company also granted to Ms. Michaels a further 125,000 stock options to purchase shares of its common stock at an exercise price of \$3.00 per share until September 9, 2024, and granted to G-Money, Inc. a further 125,000 stock options to purchase shares of its common stock at a price of \$3.00 per share until September 9, 2024, and such stock options will vest upon a change of control of the Company. The issuance of all of the above referenced stock options to entities affiliated with Ms. Michaels is conditioned upon such entities and the Company entering in to separate stock option grant agreements. In the event of the termination of the Merger Agreement, the aforementioned services agreement will automatically terminate and all of the above referenced options will automatically be forfeited.

## NOTE 8 - SUBSEQUENT EVENTS

Effective as of January 13, 2020, the Company issued 1,500,000 shares of its common stock to Richard A. Wright, president, chief executive officer and director, upon conversion of 1,500,000 shares of its Series C Preferred Stock without the payment of any additional consideration.

On February 4, 2020, the Company terminated the Agreement and Plan of Merger (the "Merger Agreement") that it had entered into with AQUAhydrate, Inc. and AWC Acquisition Company Inc., a wholly-owned subsidiary of the Company, on September 9, 2019 as amended. The Company terminated the Merger Agreement pursuant to Section 7.2(a) of the Merger Agreement as the merger had not been consummated on or before January 31, 2020

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## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Forward-Looking Statements

This 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 quarterly report, unless otherwise specified, all references to "common shares" refer to the common shares in our capital stock.

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

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## Results of Operations

### Three Months Ended December 31, 2019 and December 31, 2018

Our results of operations for the three months ended December 31, 2019 and December 31, 2018 are as follows:

	<u>For the three months ended December 31, 2019</u>	<u>For the three months ended December 31, 2018</u>
Revenue	\$ 8,455,030	\$ 7,691,013
Cost of goods sold	5,061,324	4,822,694
Gross profit	3,393,706	2,868,319
Net Loss (after operating expenses and other expenses)	(2,861,673)	(3,755,572)

#### Revenue and Cost of Goods Sold

We had revenue from sales of our product for the three months ended December 31, 2019 of \$8,455,030 as compared to \$7,691,013 for the three months ended December 31, 2018, an increase of 10% generated by sales of our alkaline water and flavored infused 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 products 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, Albertson/Safeway, Kroger, Schnucks, Smart & Final, Jewel-Osco, Sprouts, Bashas', Stater Bros. Markets, Unified Grocers, Bristol Farms, Vallarta, Superior Foods, Ingles, HEB Brookshire's, Publix, Shaw's, Raley's, Food Lion, Harris Teeter, Festival Foods, and Family Dollar.

Cost of goods sold is comprised of production costs, shipping and handling costs. For the three months ended December 31, 2019, we had cost of goods sold of \$5,061,324, or 60% of revenue, as compared to cost of goods sold of \$4,822,694 or 63% of revenue, for the three months ended December 31, 2018.

#### Expenses

Our operating expenses for the three months ended December 31, 2019 and December 31, 2018 are as follows:

	<u>For the three months ended December 31, 2019</u>	<u>For the three months ended December 31, 2018</u>
Sales and marketing expenses	\$ 4,077,599	\$ 3,650,105
General and administrative expenses	1,812,763	3,650,105
Depreciation expenses	254,220	110,613
Total operating expenses	<u>\$ 6,144,582</u>	<u>\$ 6,479,285</u>

For the three months ended December 31, 2019, our total operating expenses were \$6,144,582 as compared to \$6,479,285 for the three months ended December 31, 2018.

For the three months ended December 31, 2019, the total included \$4,077,599 of sales and marketing expenses and \$1,812,763 of general and administrative expenses, consisting primarily of approximately \$668,430 of professional fees, media fee and legal fees, \$607,187 of wages and wages related expenses and \$191,355 of non-cash stock option and stock compensation expense.

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For the three months ended December 31, 2018, the total included \$3,650,105 of sales and marketing expenses and \$2,718,567 of general and administrative expenses, consisting primarily of approximately \$1,707,964 of professional fees and 393,460 of stock option expense.

Depreciation expense for the nine months ended December 31, 2019 and December 31, 2018 was \$254,220 and \$110,613, respectively. The increase was primarily due to the fact during the fourth quarter of the prior year the Company changed the estimated useful life of the fixed assets from 5 years to 3 years based on operating experience of the fixed assets.

***Nine Months Ended December 31, 2019 and December 31, 2018***

Our results of operations for the nine months ended December 31, 2019 and December 31, 2018 are as follows:

	<b><u>For the nine months ended December 31, 2019</u></b>	<b><u>For the nine months ended December 31, 2018</u></b>
Revenue	\$ 29,053,052	\$ 24,211,398
Cost of goods sold	17,048,951	14,301,068
Gross profit	12,004,101	9,910,330
Net Loss (after operating expenses and other expenses)	\$ (10,842,818)	\$ (5,781,290)

***Revenue and Cost of Goods Sold***

We had revenue from sales of our product for the nine months ended December 31, 2019 of \$29,053,052 as compared to \$24,211,398 for the nine months ended December 31, 2018, an increase of 20% generated by sales of our alkaline water and flavored infused water. The increase in sales is due to the expanded distribution of our products to additional retailers throughout the country. We distribute our products 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, Albertson's/ Safeway, Kroger, Schnucks, Smart & Final, Jewel-Osco, Sprouts, Bashas', Stater Bros. Markets, Unified Grocers, Bristol Farms, Vallarta, Superior Foods, Ingles, HEB Brookshire's, Publix, Shaw's, Raley's, Food Lion, Harris Teeter, Festival Foods, and Family Dollar.

Cost of goods sold is comprised of production costs, shipping and handling costs. For the nine months ended December 31, 2019, we had cost of goods sold of \$17,048,951, or 59% of revenue, as compared to cost of goods sold of \$14,301,068 or 59% of revenue, for the nine months ended December 31, 2018.

***Expenses***

Our operating expenses for the nine months ended December 31, 2019 and December 31, 2018 are as follows:

	<b><u>For the nine months ended December 31, 2019</u></b>	<b><u>For the nine months ended December 31, 2018</u></b>
Sales and marketing expenses	\$ 13,359,941	\$ 9,846,940
General and administrative expenses	8,439,405	5,096,043
Depreciation expenses	727,917	334,769
Total operating expenses	<u>\$ 22,527,263</u>	<u>\$ 15,277,752</u>

For the nine months ended December 31, 2019, our total operating expenses were \$22,527,263, as compared to \$15,277,752 for the nine months ended December 31, 2018.

For the nine months ended December 31, 2019, the total included \$13,359,941 of sales and marketing expenses and \$8,439,405 of general and administrative expenses, consisting primarily of approximately \$4,524,400 of professional fees, media fee and legal fees, \$1,485,559 of wages and wages related expenses and \$1,457,700 of non-cash stock option expense.

For the nine months ended December 31, 2018, the total included \$9,846,940 of sales and marketing expenses and \$5,096,043 of general and administrative expenses, consisting primarily of \$2,984,247 of professional fees and 393,460 of stock option expense.

Depreciation expense for the nine months ended December 31, 2019 and December 31, 2018 was \$727,917 and \$334,769, respectively. The increase was primarily due to the fact during the fourth quarter of the prior year the Company changed the estimated useful life of the fixed assets from 5 years to 3 years based on operating experience of the assets.

## Liquidity and Capital Resources

### Working Capital

	<b>At December 31, 2019</b>	<b>At March 31, 2019</b>
Current assets	\$ 11,900,918	\$ 16,537,343
Current liabilities	8,919,177	7,125,695
Working capital	<u>\$ 2,981,741</u>	<u>\$ 9,411,648</u>

### Current Assets

Current assets as of December 31, 2019 and March 31, 2019 primarily relate to \$4,173,551 and \$ 11,032,451 in cash, \$3,295,331 and \$3,068,181 in accounts receivable and \$2,367,125 and \$ 2,058,012 in inventory, respectively. The decrease in cash was primarily due to the net cash used in operating activities of \$8,879,109 offset by the cash provided by financing activities of \$2,264,651.

### Current Liabilities

Current liabilities as of December 31, 2019 and March 31, 2019 primarily relate to \$4,948,249 and \$2,898,958 in accounts payable, revolving financing of \$2,895,444 and \$3,131,279, and accrued expenses of \$999,218 and \$1,095,458 respectively. The increase in accounts payable was primarily due to an increase in payables associated with the increase in professional fees, media fees and legal fees.

### Cash Flows

Our cash flows for the nine months ended December 31, 2019 and December 31, 2018 are as follows:

	<b>For the nine months ended December 31, 2019</b>	<b>For the nine months ended December 31, 2018</b>
Net cash used in operating activities	\$ (8,879,109)	\$ (4,856,749)
Net cash used in investing activities	(244,442)	(1,174,458)
Net cash provided by financing activities	2,264,651	8,129,747
Net increase (decrease) in cash and cash equivalents	<u>\$ (6,858,900)</u>	<u>\$ (2,098,540)</u>

### Operating Activities

Net cash used in operating activities was \$8,879,109 for the nine months ended December 31, 2019, as compared to \$4,856,749 used in operating activities for the nine months ended December 31, 2018. The increase in net cash used in operating activities was primarily due to a large increase in net operating loss.

### Investing Activities

Net cash used in investing activities was \$244,442 for the nine months ended December 31, 2019, as compared to \$1,174,458 used in investing activities for the nine months ended December 31, 2018. The decrease in net cash used in investing activities was from a reduction in purchases of fixed assets.

### Financing Activities

Net cash provided by financing activities for the nine months ended December 31, 2019 was \$2,264,651, as compared to \$8,129,747 for the nine months ended December 31, 2018. The decrease in net cash provided by financing activities was due to the \$2,500,486 proceeds from the exercise of warrants in the nine months ended December 31, 2019 as compared to \$6,955,798 of proceeds from sale of common stock in the nine months ended December 31, 2018.

#### **Cash Requirements**

We believe that between cash on hand as of December 31, 2019 and our credit line, we will have sufficient cash to sustain operations through at least December 31, 2020. However, if our own financial resources and future cash-flows from operations are insufficient to satisfy our capital requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity securities will result in dilution to our stockholders. The incurrence of indebtedness will result in increased debt service obligations and could require us to agree to operating and financial covenants that could restrict our operations or modify our plans to grow the business. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise any required 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.

#### **Termination of Proposed Merger with AQUAhydrate, Inc.**

On February 4, 2020, we terminated the Agreement and Plan of Merger (the "Merger Agreement") that we had entered into with AQUAhydrate, Inc. and AWC Acquisition Company Inc., a wholly-owned subsidiary of our company, on September 9, 2019 as amended. We terminated the Merger Agreement pursuant to Section 7.2(a) of the Merger Agreement as the merger had not been consummated on or before January 31, 2020

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

#### **Item 4. Controls and Procedures.**

##### **Disclosure Controls and Procedures**

We maintain "disclosure controls and procedures", as that term is defined in Rule 13a-151, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934. 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 quarterly report on Form 10-Q. Based on this evaluation, our management concluded that as of the end of the period covered by this quarterly report on Form 10-Q, our disclosure controls and procedures were not effective. The ineffectiveness of our disclosure controls and procedures was due to the material weaknesses in our internal control over financial reporting disclosed in our annual report on Form 10-K for the fiscal year ended March 31, 2019. We are working on mitigating the material weaknesses.

##### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

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## PART II-OTHER INFORMATION

### Item 1. 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 1A. Risk Factors.

Information regarding risk factors appears in our Annual Report on Form 10-K filed on July 1, 2019. There have been no material changes since July 1, 2019 from the risk factors disclosed in that Form 10-K.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

None.

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Item 6. Exhibits

**Exhibit Number Description**

<b>(3)</b>	<b>Articles of Incorporation and Bylaws</b>
<a href="#">3.1</a>	<a href="#">Articles of Incorporation (incorporated by reference from our Form S-1 Registration Statement, filed on October 28, 2011)</a>
<a href="#">3.2</a>	<a href="#">Certificate of Change (incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2013)</a>
<a href="#">3.3</a>	<a href="#">Articles of Merger (incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2013)</a>
<a href="#">3.4</a>	<a href="#">Certificate of Amendment to Articles of Incorporation (incorporated by reference from our Current Report on Form 8-K, filed on October 11, 2013)</a>
<a href="#">3.5</a>	<a href="#">Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on October 11, 2013)</a>
<a href="#">3.6</a>	<a href="#">Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on November 12, 2013)</a>
<a href="#">3.7</a>	<a href="#">Certificate of Change (incorporated by reference from our Current Report on Form 8-K, filed on December 30, 2015)</a>
<a href="#">3.8</a>	<a href="#">Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016)</a>
<a href="#">3.9</a>	<a href="#">Certificate of Amendment to Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016)</a>
<a href="#">3.10</a>	<a href="#">Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on April 5, 2016)</a>
<a href="#">3.11</a>	<a href="#">Certificate of Withdrawal of Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on April 4, 2017)</a>
<a href="#">3.12</a>	<a href="#">Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on May 4, 2017)</a>
<a href="#">3.13</a>	<a href="#">Certificate of Amendment to Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on November 6, 2017)</a>
<a href="#">3.14</a>	<a href="#">Certificate of Withdrawal of Certificate of Designation (incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 20, 2017)</a>
<a href="#">3.15</a>	<a href="#">Amended and Restated Bylaws (incorporated by reference from our Current Report on Form 8-K, filed on March 15, 2013)</a>
<b>(10)</b>	<b>Material Contracts</b>
<a href="#">10.1</a>	<a href="#">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)</a>
<a href="#">10.2</a>	<a href="#">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)</a>
<a href="#">10.3</a>	<a href="#">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)</a>
<a href="#">10.4</a>	<a href="#">Equipment Lease Agreement dated January 17, 2014 (incorporated by reference from our Current Report on Form 8-K, filed on January 27, 2014)</a>
<a href="#">10.5</a>	<a href="#">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)</a>
<a href="#">10.6</a>	<a href="#">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)</a>
<a href="#">10.7</a>	<a href="#">Form of Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on May 6, 2014)</a>
<a href="#">10.8</a>	<a href="#">Form of Placement Agent Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on May 6, 2014)</a>
<a href="#">10.9</a>	<a href="#">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)</a>
<a href="#">10.10</a>	<a href="#">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)</a>

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10.11	<a href="#">Agreement dated August 12, 2014 with H.C. Wainwright &amp; Co., LLC (incorporated by reference from our Current Report on Form 8-K, filed on August 21, 2014)</a>
10.12	<a href="#">Form of Warrant Amendment Agreement (incorporated by reference from our Current Report on Form 8-K, filed on August 21, 2014)</a>
10.13	<a href="#">Form of Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on August 21, 2014)</a>
10.14	<a href="#">Form of Warrant Amendment Agreement (incorporated by reference from our Current Report on Form 8-K, filed on October 9, 2014)</a>
10.15	<a href="#">Form of Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on October 9, 2014)</a>
10.16	<a href="#">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)</a>
10.17	<a href="#">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)</a>
10.18	<a href="#">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)</a>
10.19	<a href="#">Form of Amending Agreement to Stock Option Agreement (incorporated by reference from our Current Report on Form 8-K, filed on November 4, 2014)</a>
10.20	<a href="#">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)</a>
10.21	<a href="#">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)</a>
10.22	<a href="#">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)</a>
10.23	<a href="#">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)</a>
10.24	<a href="#">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)</a>
10.25	<a href="#">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)</a>
10.26	<a href="#">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)</a>
10.27	<a href="#">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)</a>
10.28	<a href="#">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)</a>
10.29	<a href="#">2013 Equity Incentive Plan (incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016)</a>
10.30	<a href="#">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)</a>
10.31	<a href="#">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)</a>
10.32	<a href="#">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)</a>
10.33	<a href="#">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)</a>
10.34	<a href="#">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)</a>
10.35	<a href="#">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)</a>
10.36	<a href="#">Form of Promissory Note and Warrant Exchange Agreement (incorporated by reference from our Current Report on Form 8-K, filed on June 16, 2016)</a>
10.37	<a href="#">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)</a>
10.38	<a href="#">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)</a>
10.39	<a href="#">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)</a>

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<a href="#">10.40</a>	<a href="#">Form of Stock Option Agreement (incorporated by reference from our Current Report on Form 8-K, filed on May 4, 2017)</a>
<a href="#">10.41</a>	<a href="#">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)</a>
<a href="#">10.42</a>	<a href="#">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)</a>
<a href="#">10.43</a>	<a href="#">Stock Option Forfeiture &amp; 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)</a>
<a href="#">10.44</a>	<a href="#">Form of Warrant Amendment Agreement (incorporated by reference from our Current Report on Form 8-K, filed on February 22, 2018)</a>
<a href="#">10.45</a>	<a href="#">Form of Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on March 5, 2018)</a>
<a href="#">10.46</a>	<a href="#">2018 Stock Option Plan (incorporated by reference from our Current Report on Form 8-K, filed on April 25, 2018)</a>
<a href="#">10.47</a>	<a href="#">Form of Subscription Agreement (incorporated by reference from our Current Report on Form 8-K filed on May 31, 2018)</a>
<a href="#">10.48</a>	<a href="#">Form of Subscription Agreement (incorporated by reference from our Current Report on Form 8-K filed on October 3, 2018)</a>
<a href="#">10.49</a>	<a href="#">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)</a>
<a href="#">10.50</a>	<a href="#">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)</a>
<a href="#">10.51</a>	<a href="#">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)</a>
<a href="#">10.52</a>	<a href="#">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)</a>
<a href="#">10.53</a>	<a href="#">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)</a>
<b>(31)</b>	<b>Rule 13a-14 Certifications</b>
<a href="#">31.1*</a>	<a href="#">Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002</a>
<a href="#">31.2*</a>	<a href="#">Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002</a>
<b>(32)</b>	<b>Section 1350 Certifications</b>
<a href="#">32.1*</a>	<a href="#">Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002</a>
<a href="#">32.2*</a>	<a href="#">Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002</a>
<b>(101)</b>	<b>Interactive Data File</b>
<a href="#">101.INS*</a>	<a href="#">XBRL Instance Document</a>
<a href="#">101.SCH*</a>	<a href="#">XBRL Taxonomy Extension Schema</a>
<a href="#">101.CAL*</a>	<a href="#">XBRL Taxonomy Extension Calculation Linkbase</a>
<a href="#">101.DEF*</a>	<a href="#">XBRL Taxonomy Extension Definition Linkbase</a>
<a href="#">101.LAB*</a>	<a href="#">XBRL Taxonomy Extension Label Linkbase</a>
<a href="#">101.PRE*</a>	<a href="#">XBRL Taxonomy Extension Presentation Linkbase</a>

\*Filed herewith.

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**SIGNATURES**

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

**THE ALKALINE WATER COMPANY INC.**

Date: February 10, 2020

By: /s/ Richard A. Wright  
Richard A. Wright  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: February 10, 2020

By: /s/ David A. Guarino  
David A. Guarino  
Chief Financial Officer and Treasurer  
(Principal Financial Officer and Principal  
Accounting Officer)

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**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard A. Wright, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Alkaline Water Company Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 10, 2020

/s/ Richard A. Wright  
Richard A. Wright  
President and Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David A. Guarino, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Alkaline Water Company Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 10, 2020

/s/ David A. Guarino

David A. Guarino

Chief Financial Officer and Treasurer

(Principal Financial Officer and Principal Accounting Officer)

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**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Richard A. Wright, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the quarterly report on Form 10-Q of The Alkaline Water Company Inc. for the period ended December 31, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of The Alkaline Water Company Inc.

February 10, 2020

/s/ Richard A. Wright  
Richard A. Wright  
President and Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, David A. Guarino, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the quarterly report on Form 10-Q of The Alkaline Water Company Inc. for the period ended December 31, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of The Alkaline Water Company Inc.

February 10, 2020

/s/ David A. Guarino

David A. Guarino  
Chief Financial Officer and Treasurer  
(Principal Financial Officer and Principal Accounting Officer)

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