
**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 September 30, 2021

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

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, Scottsdale, AZ

(Address of principal executive offices)

85255

(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

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

Accelerated filer

Non-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.

104,333,373 shares of common stock issued and outstanding as of November 9, 2021.

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements.

THE ALKALINE WATER COMPANY INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30, 2021	March 31, 2021
ASSETS		
Current assets		
Cash	\$ 10,419,065	\$ 9,130,956
Accounts receivable, net	10,983,231	8,458,176
Inventory	6,277,844	4,407,720
Prepaid expenses	2,760,987	1,037,961
Operating lease right-of-use asset - current portion	185,517	236,446
Total current assets	30,626,644	23,271,259
Fixed assets - net		
Operating lease right-of-use asset	1,007,561	1,010,183
	190,348	269,167
Total assets	\$ 31,824,553	\$ 24,550,609
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 7,984,651	\$ 7,055,348
Accrued expenses	1,388,349	1,306,106
Revolving financing	6,997,928	4,324,412
PPP loan payable - current portion	330,551	328,570
Operating lease liability - current portion	207,007	229,605
Total current liabilities	16,908,486	13,244,041
Operating lease liability	193,798	292,582
Total liabilities	17,102,284	13,536,623
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock, \$0.001 par value, 100,000,000 shares authorized, 6,681,090 Series S issued and outstanding on September 30, 2021 and nil issued and outstanding on March 31, 2021	6,681	-
Common stock, Class A - \$0.001 par value, 200,000,000 shares authorized 104,333,373 and 87,465,178 shares issued and outstanding at September 30, 2021 and March 31, 2021, respectively	104,335	87,464
Additional paid in capital	102,346,572	80,857,742
Accumulated deficit	(87,735,319)	(69,931,220)
Total stockholders' equity	14,722,269	11,013,986
Total liabilities and stockholders' equity	\$ 31,824,553	\$ 24,550,609

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

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

	For the Three Months		For the Six Months	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	\$ 15,255,765	\$ 10,160,552	\$ 29,369,343	\$ 23,592,862
Cost of Goods Sold	10,091,415	6,509,264	19,402,426	15,104,105
Gross Profit	5,164,350	3,651,288	9,966,917	8,488,757
Operating expenses				
Sales and marketing expenses	10,120,875	4,389,335	17,277,275	8,107,566
General and administrative	5,251,751	3,492,648	10,216,125	7,442,565
Total operating expenses	15,372,626	7,881,983	27,493,400	15,550,131
Total operating loss	(10,208,276)	(4,230,695)	(17,526,483)	(7,061,374)
Other expense				
Interest expense	(170,197)	(130,933)	(277,616)	(321,257)
Total other expense	(170,197)	(130,933)	(277,616)	(321,257)

Net loss	\$ (10,378,473)	\$ (4,361,628)	\$ (17,804,099)	\$ (7,382,631)
LOSS PER SHARE (Basic and Diluted)	\$ (0.11)	\$ (0.06)	\$ (0.20)	\$ (0.12)
WEIGHTED AVERAGE SHARES OUTSTANDING (Basic and Diluted)	93,669,358	67,888,935	91,020,392	62,646,038

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

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

	Preferred Stock		Common Stock		Additional Paid-in Capital	Stock Payable	Accumulated Deficit	Total
	Number	Par Value	Number	Par Value				
Balance, March 31, 2020	3,400,000	\$ 3,400	45,585,592	\$ 45,585	\$ 54,094,848	\$ 1,000,000	\$ (53,521,700)	\$ 1,622,133
Preferred stock conversion	(3,400,000)	(3,400)	3,400,000	3,400				-
Common shares issued in connection with offerings			9,750,000	9,750	3,890,250	(1,000,000)		2,900,000
Common shares issued upon exercise of warrants			287,666	288	258,612			258,900
Common shares issued to non-employees and employees			472,000	472	486,828			487,300
Stock Option expense					661,959			661,959
Stock Option exercise			116,000	116	61,364			61,480
Stock Payable						1,999,998		1,999,998
Net (loss)							(3,021,003)	(3,021,003)
Balance, June 30, 2020	-	\$ -	59,611,258	\$ 59,611	\$ 59,453,861	\$ 1,999,998	\$ (56,542,703)	\$ 4,970,767
Common shares issued in connection with offerings			4,444,440	4,444	1,995,554	(1,999,998)		-
Common shares issued upon exercise of warrants			8,839,399	8,839	4,555,484			4,564,323
Common shares issued to non-employees			191,136	191	326,408			326,599
Stock Option expense					204,594			204,594
Stock Option exercise			236,239	236	(236)			-
Net (loss)							(4,361,628)	(4,361,628)
Balance, September 30, 2020	-	\$ -	73,322,472	\$ 73,321	\$ 66,535,665	\$ -	\$ (60,904,331)	\$ 5,704,655
Balance, March 31, 2021	-	\$ -	87,465,178	\$ 87,464	\$ 80,857,742	\$ -	\$ (69,931,220)	\$ 11,013,986
Preferred stock issuance	6,681,090	6,681			2,220,350			2,227,031
Common shares issued upon exercise of warrants			1,277,777	1,278	651,499			652,777
Common shares issued to non-employees and employees			855,499	856	39,144			40,000
Stock option and RSU-related stock compensation expense					651,648			651,648
Stock Option exercise			162,668	163	48,068			48,231
Net (loss)							(7,425,626)	(7,425,626)
Balance, June 30, 2021	6,681,090	\$ 6,681	89,761,122	\$ 89,761	\$ 84,468,451	\$ -	\$ (77,356,846)	\$ 7,208,047
Common shares issued in connection with offerings			4,757,381	4,757	4,990,493			4,995,250
Common shares issued upon exercise of warrants			9,523,376	9,526	11,894,694			11,904,220
Common shares issued to non-employees			172,802	173	307,546			307,719
Stock option and RSU-related stock compensation expense					625,556			625,556
Stock Option exercise			118,692	118	59,832			59,950
Net (loss)							(10,378,473)	(10,378,473)

Balance, September 30, 2021	<u>6,681,090</u>	\$ <u>6,681</u>	<u>104,333,373</u>	\$ <u>104,335</u>	\$ <u>102,346,572</u>	\$ <u>-</u>	\$ <u>(87,735,319)</u>	\$ <u>14,722,269</u>
-----------------------------	------------------	-----------------	--------------------	-------------------	-----------------------	-------------	------------------------	----------------------

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

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

	For the Six Months	
	September 30, 2021	September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (17,804,099)	\$ (7,382,631)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	318,030	412,317
Shares issued and vested, options and RSU amortized for employee and non-employee services	3,851,955	1,680,453
Non-cash lease expense	8,366	(9,907)
Changes in operating assets and liabilities:		
Accounts receivable	(2,525,055)	(859,937)
Inventory	(1,870,124)	(1,329,721)
Prepaid expenses and other current assets	(1,723,026)	(807,161)
Accounts payable	929,303	(142,116)
Accrued expenses	84,224	327,187
NET CASH USED IN OPERATING ACTIVITIES	(18,730,426)	(8,111,516)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(315,408)	(90,109)
CASH USED IN INVESTING ACTIVITIES	(315,408)	(90,109)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayment of) revolving financing	2,673,516	(2,493,680)
Proceeds from promissory note payable	-	325,800
Proceeds from sale of common stock, net	4,995,250	4,899,998
Proceeds from stock payable	-	-
Proceeds for the exercise of warrants, net	12,556,997	4,823,222
Proceeds for the exercise of stock options, net	108,180	61,480
CASH PROVIDED BY FINANCING ACTIVITIES	20,333,943	7,616,820
NET CHANGE IN CASH	1,288,109	(584,805)
CASH AT BEGINNING OF PERIOD	9,130,956	4,561,682
CASH AT END OF PERIOD	\$ 10,419,065	\$ 3,976,877
INTEREST PAID	\$ 271,190	\$ 276,813
TAXES PAID	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE of NON-CASH INVESTING AND FINANCING ACTIVITIES		
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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

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

These unaudited financial statements represent the condensed consolidated financial statements of The Alkaline Water Company and its wholly owned subsidiaries (collectively, 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 2, 2021, 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 six months ended September 30, 2021 and 2020 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 six months ended September 30, 2021 and 2020 is unaudited. The consolidated balance sheet at March 31, 2021 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 six 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), The Clean Beverage 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., The Clean Beverage 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 \$10,419,065 and \$9,130,956 in cash at September 30, 2021 and March 31, 2021, 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 September 30, 2021 and March 31, 2021:

	<u>September 30, 2021</u> <u>(unaudited)</u>	<u>March 31, 2021</u>
Trade receivables, net	\$ 11,323,231	\$ 8,798,176
Less: Allowance for doubtful accounts	(340,000)	(340,000)
Net accounts receivable	\$ 10,983,231	\$ 8,458,176

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 September 30, 2021 and March 31, 2021, inventory consisted of the following:

	<u>September 30, 2021</u> <u>(unaudited)</u>	<u>March 31, 2021</u>
Raw materials	\$ 4,146,330	\$ 3,055,091
Finished goods	2,131,514	1,352,629
Total inventory	\$ 6,277,844	\$ 4,407,720

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.

Going Concern

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

The Company has not generated sufficient revenues from product sales to provide for cash flows to enable the Company to finance its operations internally thus there is substantial doubt about the Company's ability to continue as a going concern within one year from the date of filing. The Company's ability to continue as a going concern is dependent on the Company's ability to generate revenues and raise capital.

The Company currently anticipates with cash on hand and funds from the exercise of outstanding warrants will adequately fund the Company's planned operations and capital needs for the next 12 months. However, if our current plans change or are accelerated or we choose to 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 continue as a going concern.

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.

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 \$4,812,052 and \$1,670,523 for the three months ended September 30, 2021 and 2020, respectively and \$7,718,952 and \$3,477,554 for the six months ended September 30, 2021 and 2020, respectively.

Concentration Risks

We have 2 major customers that together account for 30% (18% and 12%, respectively) of accounts receivable at September 30, 2021, 3 customers that accounts for 43% (21%, 11% and 11%, respectively) of total revenues for the three months ended September 30, 2021 and 3 customers that accounts for 44% (21%, 13% and 10%, respectively) of the total revenues earned for the six months ended September 30, 2021. The Company has 3 vendors that accounts for 53% (32%, 11% and 10% respectively) of purchases for the three months ended September 30, 2021 and 3 vendors that accounted for 53% (30%, 13% and 10% respectively) of purchases for the six months ended September 30, 2021.

We have 2 major customers that together account for 27% (15% and 12%, respectively) of accounts receivable at September 30, 2020, 1 customer that accounts for 25% of total revenues for the three months ended September 30, 2020 and 2 customers that accounts for 40% (22% and 18%, respectively) of the total revenues earned for the six months ended September 30, 2020. The Company has 3 vendors that accounts for 58% (25%, 21% and 12% respectively) of purchases for the three months ended September 30, 2020 and 3 vendors that accounted for 55% (24%, 19% and 12% respectively) of purchases for the six months ended September 30, 2020.

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.

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.

The Company had 4,371,379 and 1,951,490 shares relating to options, 2,087,104 and 1,734,443 shares relating to warrants and 2,227,030 and 0 million convertible preferred shares at September 30, 2021 and 2020, 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 September 30, 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 three and six months ended September 30, 2020 has been corrected for the following: a reclassification of depreciation expense of \$182,306 and \$412,317, respectively, to cost of goods sold related to assets utilized in the production of inventory and an adjustment to reclassify sales and marketing expenses of \$595,384 and 1,382,508, respectively, as a reduction in 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 for the three and six months ended September 30, 2020, cost of goods sold increased from \$6,326,958 to \$6,509,264 and from \$14,696,484 to \$15,104,105, respectively, and revenue decreased from \$10,755,946 to \$10,160,552 and \$24,975,370 to \$23,592,862, respectively which combined resulted in a decrease of gross profit from \$4,428,988 to \$3,651,288 and from \$10,278,886 to \$8,488,757, respectively. The correction had no impact on total operating loss and net loss. The misstatement was identified by the Company and corrected initially in the year end results for the twelve months ending March 31, 2021.

Recent Accounting Pronouncements

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 September 30, 2021 and believes that none of them will have a material effect on our consolidated financial statements.

NOTE 2 - PROPERTY AND EQUIPMENT

Fixed assets consisted of the following at:

Property and Equipment consisted of the following at:	September 30, 2021 (unaudited)	March 31, 2021
Machinery and Equipment	\$ 5,127,752	\$ 4,812,344
Office Equipment	55,439	55,439
Less: Accumulated Depreciation	(4,175,630)	(3,857,600)
Property and Equipment, net	<u>\$ 1,007,561</u>	<u>\$ 1,010,183</u>

Depreciation expense for the three months ended September 30, 2021 and 2020 was \$159,015 and \$184,406, respectively.

Depreciation expense for the six months ended September 30, 2021 and 2020 was \$18,030 and \$412,317, respectively.

NOTE 3 - 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 September 30, 2021 and 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.

NOTE 4 - 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 loan was forgiven on October 14, 2021 as authorized by Section 1106 of the CARES Act.

NOTE 5 - 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.

Series S Convertible Preferred Stock

On May 12, 2021, The Alkaline Water Company Inc. (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. 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. The Endorsement Agreement also includes customary exclusivity, termination, and indemnification clauses.

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 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. The Company paid \$500,000 and \$1,000,000 in the three and six months ended September 30, 2021, respectively and the Company will be paying \$50,000 in each quarter in the fiscal years ended March 31, 2023 and March 31, 2024

In addition, the Company issued 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, respectively. The term of the Endorsement Agreement is three years, commencing on May 1, 2021 and terminating on May 1, 2024 (the "Term"). The Series S Preferred Stock was valued at \$6,681,090 based on the Company's closing stock price of \$1.00 per share on May 12, 2021. The Company valued the vested Series S Preferred Stock at \$2,227,030, which amount was recognized by the Company as a prepaid expense that is being expensed over the initial twelve months of the Endorsement Agreement's Term. The prepaid expense at September 30, 2021 was \$1,299,100.

In the three and six months ended September 30, 2021, the Company recognized an expense of \$1,056,758 and \$1,927,929, respectively, in connection with the agreement and anticipates recognizing an expense of \$56,758 in the quarter ended December 31, 2021 and March 31, 2022 for a total expense of \$3,041,444 for the year ended March 31, 2022. In the years ended March 31, 2023 and March 31, 2024, the Company anticipates recognizing an expense in the amount of \$3,227,030 and \$3,227,030 respectively.

Common Stock

Private Placement

On July 6, 2021, we completed a private placement of 4,757,381 subscription receipts at a price of \$1.05 per subscription receipt for total gross proceeds of \$4,995,250. The subscription receipts were held in escrow until September 29, 2021 when each subscription receipt was converted into one unit consisting 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 for a period of three years from the date of issuance thereof at a price of \$1.25 per share.

Share Issuance

Effective as of April 15, 2021, the Company issued 38,834 shares of our common stock to non-employees in consideration for services to be rendered to the Company. The total fair value of the shares is \$40,000 based upon the per share closing price of the Company's common stock on the NASDAQ stock exchange on April 15, 2021. In addition, effective as of August 27, 2021 and September 29, 2021, the Company issued 73,684 and 16,118, respectively shares of our common stock to non-employees in consideration for services rendered to the Company. The total fair value of the shares is \$140,000 and \$25,789, respectively, based upon the per share closing price of the Company's common stock on the NASDAQ stock exchange on August 20, 2021 and September 29, 2021. All of these shares were issued 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. The agreement has been terminated and no further amounts are owed by the Company under this agreement.

Effective as of August 20, 2021, the Company issued 83,000 shares of our common stock to non-employees in consideration for services to be rendered to the Company. The total fair value of the shares is \$141,930 based upon the per share closing price of the Company's common stock on the NASDAQ stock exchange on August 20, 2021.

Restricted Awards

On May 3, 2021, the Company issued 816,665 shares of our common stock to employees upon the exercise of vested restricted awards under our 2020 Equity Incentive Plan.

NOTE 6 - OPTIONS AND WARRANTS

Options

The Company issued 162,668 shares of common stock during the three months ending June 30, 2021 in connection with the exercise of stock options of which 91,000 options were with a payment to the Company for the exercise price of \$48,230 and the remaining amount of stock options were exercised as a cashless exercise under the plan.

The Company issued 118,692 shares of common stock during the three months ending September 30, 2021 in connection with the exercise of stock options of which 55,000 options were with a payment to the Company for the exercise price of \$59,950 and the remaining amount of stock options were exercised as a cashless exercise under the plan.

On July 27, 2021, the Company granted an aggregate of 454,000 stock options to certain employees for the purchase of up to 454,000 shares of common stock pursuant to the 2020 Equity Incentive Plan. Each stock option is exercisable at a price of \$1.75 per share until July 27, 2031.

Warrants

The Company issued 1,277,777 shares of common stock during the three months ending June 30, 2021 in connection with the exercise of warrants with a payment to the Company for the exercise price of \$652,777.

The Company issued 9,523,376 shares of common stock during the three months ending September 30, 2021 in connection with the exercise of warrants with a payment to the Company for the exercise price of \$11,904,220.

On September 29, 2021, the Company issued 4,757,381 share purchase warrant and at exercise price of \$1.25 per share. These warrants were issued in connection with the private placement of common stock on September 29, 2021.

NOTE 7 - 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 \$30,989 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 \$37,932 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 \$2,280 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 three and six months ended September 30, 2021 was \$91,611 and \$192,526, respectively.

Operating Lease expense for the three and six months ended September 30, 2020 was \$9,461 and \$94,215, respectively.

	September 30, 2021
Operating lease right-of-use asset - current portion	\$ 185,517
Operating lease right-of-use asset - non-current portion	190,348
Total Operating lease right-of-use asset	\$ 375,865
Operating lease liability - current portion	\$ 207,007
Operating lease liability - non-current portion	193,798
Total Operating lease liability	\$ 400,805
Weighted average remaining lease term (in years):	
Operating leases	1.0
Weighted average discount rate:	
Operating leases	7.0%

Supplemental cash flow information related to leases is as follows:

Maturities of undiscounted lease liabilities as of September 30, 2021 are as follows:

	Operating Leases
Year ending March 31, 2022	\$ 118,977
Year ending March 31, 2023	191,379
Year ending March 31, 2024	119,150
Total lease payments	429,505
Less: Imputed interest	(28,700)
Total lease obligations	\$ 400,805

NOTE 8 - 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 9 - SUBSEQUENT EVENTS

As of October 14, 2021, the Company's loan under the Paycheck Protection Program ("PPP") was forgiven as authorized by Section 1106 of the CARES Act. The outstanding principal balance of \$325,800 along with accrued interest of \$4,751 totalling \$330,551 was forgiven.

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 or 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 Infused Products, Inc. (a Nevada Corporation), A88 International, Inc. (a Nevada Corporation), and Alkaline 88, LLC (an Arizona Limited Liability Company), unless otherwise specified.

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

Three Months Ended September 30, 2021 and September 30, 2020

Our results of operations for the three months ended September 30, 2021 and September 30, 2020 are as follows:

	<u>For the three months ended September 30, 2021</u>	<u>For the three months ended September 30, 2020</u>
Revenue	\$ 15,255,765	\$ 10,160,552
Cost of goods sold	10,091,415	6,509,264
Gross profit	\$ 5,164,350	\$ 3,651,288
Net Loss	\$ (10,378,473)	\$ (4,361,628)

Revenue and Cost of Goods Sold

We had revenue from sales of our product for the three months ended September 30, 2021 of \$15,255,765, as compared to \$10,160,552 for the three months ended September 30, 2020, an increase of 50% generated by sales of our alkaline water and flavor infused water. The increase in sales is due to the expanded distribution of our products to additional retailers throughout the country and increased demand due to Covid-19. 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.

Cost of goods sold is comprised of production costs, shipping and handling costs. For the three months ended September 30, 2021, we had cost of goods sold of \$10,091,415 or 66% of revenue, as compared to cost of goods sold of \$6,509,264 or 64% of revenue, for the three months ended September 30, 2020.

Expenses

Our operating expenses for the three months ended September 30, 2021 and September 30, 2020 are as follows:

	<u>For the three months ended September 30, 2021</u>	<u>For the three months ended September 30, 2020</u>
Sales and marketing expenses	\$ 10,120,875	\$ 4,389,335
General and administrative expenses	5,251,751	3,492,648
Total operating expenses	\$ 15,372,626	\$ 7,881,983

For the three months ended September 30, 2021, our total operating expenses were \$ 15,372,626 as compared to \$7,881,983 for the three months ended September 30, 2020.

For the three months ended September 30, 2021, the total included \$10,120,875 of sales and marketing expenses. Sales and marketing expenses increased as a result of increased out-bound freight expenses (from approximately \$1.7 million to \$4.8 million) and sales promotional expenses (from approximately \$0.3 million to approximately \$2.5 million), increase which is primarily due to signing Alkaline88 brand ambassador. General and administrative expenses of \$5,251,751, consisted primarily of approximately \$2.8 million of professional

fees, media fees and legal fees, non-cash stock award and option expense in the amount of approximately \$0.7 million and approximately \$1.1 million of wages and wage related expenses.

For the three months ended September 30, 2020, the total included \$4,389,335 of sales and marketing expenses. Sales and marketing expenses increased as a result of increased freight and sales promotional expenses due to our increase in sales. General and administrative expenses of \$3,492,648, consisted primarily of approximately \$1.6 million of professional fees, media fees and legal fees, stock option expense in the amount of approximately \$0.8 million and approximately \$0.7 million of wages and wage related expenses.

Six Months Ended September 30, 2021 and September 30, 2020

Our results of operations for the six months ended September 30, 2021 and September 30, 2020 are as follows:

	For the six months ended September 30, 2021	For the six months ended September 30, 2020
Revenue	\$ 29,369,343	\$ 23,592,862
Cost of goods sold	19,402,426	15,104,105
Gross profit	9,966,917	8,488,757
Net Loss	\$ (17,804,099)	\$ (7,382,631)

Revenue and Cost of Goods Sold

We had revenue from sales of our product for the six months ended September 30, 2021 of \$29,369,343 as compared to \$23,592,862 for the six months ended September 30, 2020, an increase of 24% generated by sales of our alkaline water and flavor infused water. 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.

Cost of goods sold is comprised of production costs, shipping and handling costs. For the six months ended September 30, 2021, we had cost of goods sold of \$19,402,426, or 66% of revenue, as compared to cost of goods sold of \$15,104,105 or 64% of revenue, for the six months ended September 30, 2020. The decrease in gross profit rate is a result of increased raw material cost from our suppliers.

Expenses

Our operating expenses for the six months ended September 30, 2021 and September 30, 2020 are as follows:

	For the six months ended September 30, 2021	For the six months ended September 30, 2020
Sales and marketing expenses	\$ 17,277,275	\$ 8,107,566
General and administrative expenses	10,216,125	7,442,565
Total operating expenses	\$ 27,493,400	\$ 15,550,131

For the six months ended September 30, 2021, our total operating expenses were \$27,493,400, as compared to \$15,550,131 for the six months ended September 30, 2020.

For the six months ended September 30, 2021, the total included \$17,277,275 of sales and marketing expenses. Sales and marketing expenses increased as a result of increased out-bound freight expense (from approximately \$3.5 million to \$7.7 million) and sales promotional expenses (from approximately \$0.4 million to approximately \$4.0 million), increase which is primarily due to signing Alkaine88 brand ambassador. General and administrative expenses of \$10,216,125, consisted primarily of approximately \$5.5 million of professional fees, stock award and option expense in the amount of approximately \$1.4 million and approximately \$2.1 million of wage and wage related expenses.

For the six months ended September 30, 2020, the total included \$8,107,566 of sales and marketing expenses and \$7,442,565 of general and administrative expenses, consisting primarily of approximately \$3.3 million of professional fees, stock option expense in the amount of approximately \$1.9 million and approximately \$1.4 million of wage and wage related expenses.

Liquidity and Capital Resources

Working Capital

	At September 30, 2021	At March 31, 2021
Current assets	\$ 30,626,644	\$ 23,271,259
Current liabilities	16,908,486	13,244,041
Working capital	\$ 13,718,158	\$ 10,027,218

Current Assets

Current assets as of September 30, 2021 and March 31, 2021 primarily relate to \$10,419,065 and \$ 9,130,956 in cash, \$10,983,231 and \$ 8,458,176 in accounts receivable and \$6,277,844 and \$ 4,407,720 in inventory.

Current Liabilities

Current liabilities as of September 30, 2021 and March 31, 2021 primarily relate to \$7,984,651 and \$ 7,055,348 in accounts payable, revolving financing of \$6,997,928 and \$ 4,324,412, and accrued expenses of \$1,388,349 and \$1,306,106 respectively.

Cash Flows

Our cash flows for the six months ended September 30, 2021 and September 30, 2020 are as follows:

For the six months ended	For the six months ended
-------------------------------------	-------------------------------------

	<u>September 30,</u>	<u>September 30,</u>
	<u>2021</u>	<u>2020</u>
Net Cash used in operating activities	\$ (18,730,426)	\$ (8,111,516)
Net Cash used in investing activities	(315,408)	(90,109)
Net Cash provided by financing activities	<u>20,333,943</u>	<u>7,616,820</u>
Net (decrease) in cash and cash equivalents	<u>\$ 1,288,109</u>	<u>\$ (584,805)</u>

Operating Activities

Net cash used in operating activities was \$18,730,426 for the six months ended September 30, 2021, as compared to \$8,111,516 used in operating activities for the six months ended September 30, 2020. The increase in net cash used in operating activities was primarily due the increased net loss after adjusting for non-cash activity of approximately \$8.3 million and increases in accounts receivable and inventory.

Investing Activities

Net cash used in investing activities was \$315,408 for the six months ended September 30, 2021, as compared to \$90,109 used in investing activities for the six months ended September 30, 2020. The increase in net cash used in investing activities was from an increase in purchases of fixed assets.

Financing Activities

Net cash provided by financing activities for the six months ended September 30, 2021 was \$20,333,943, as compared to \$7,616,820 for the six months ended September 30, 2020. The increase in net cash provided by financial activities is primarily due to an increase in the proceeds from the exercise of warrants of approximately \$7.7 million and an increase in proceeds of \$5.2 million in the Company's revolver financing.

Cash Requirements

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 the anticipated exercise of outstanding warrants will adequately fund the Company's planned operations and capital needs for the next 12 months. However, if our current plans change or are accelerated or we choose to 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 continue as a going concern.

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 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-15(e), 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, 2021. 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 September 30, 2021 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

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 6, 2021. There have been no material changes since July 6, 2021 from the risk factors disclosed in that Form 10-K.

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

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.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number Description

(3) Articles of Incorporation and Bylaws

- [3.1](#) [Articles of Incorporation \(incorporated by reference from our Form S-1 Registration Statement, filed on October 28, 2011\)](#)
- [3.2](#) [Certificate of Change \(incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2013\)](#)
- [3.3](#) [Articles of Merger \(incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2013\)](#)
- [3.4](#) [Certificate of Amendment to Articles of Incorporation \(incorporated by reference from our Current Report on Form 8-K, filed on October 11, 2013\)](#)
- [3.5](#) [Certificate of Designation \(incorporated by reference from our Current Report on Form 8-K, filed on October 11, 2013\)](#)
- [3.6](#) [Certificate of Designation \(incorporated by reference from our Current Report on Form 8-K, filed on November 12, 2013\)](#)
- [3.7](#) [Certificate of Change \(incorporated by reference from our Current Report on Form 8-K, filed on December 30, 2015\)](#)
- [3.8](#) [Certificate of Amendment to Articles of Incorporation \(incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016\)](#)
- [3.9](#) [Certificate of Amendment to Certificate of Designation \(incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016\)](#)
- [3.10](#) [Certificate of Designation \(incorporated by reference from our Current Report on Form 8-K, filed on April 5, 2016\)](#)
- [3.11](#) [Certificate of Withdrawal of Certificate of Designation \(incorporated by reference from our Current Report on Form 8-K, filed on April 4, 2017\)](#)
- [3.12](#) [Certificate of Designation \(incorporated by reference from our Current Report on Form 8-K, filed on May 4, 2017\)](#)
- [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 \(incorporated by reference from our Current Report on Form 8-K filed on May 13, 2021\)](#)
[10.60](#) [Form of Subscription Agreement \(incorporated by reference from our Current Report on Form 8-K filed on July 6, 2021\)](#)

(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*](#) [INS XBRL Instance Document-the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document](#)
[101.SCH*](#) [XBRL Taxonomy Extension Schema Document](#)
[101.CAL*](#) [XBRL Taxonomy Extension Calculation Linkbase Document](#)
[101.DEF*](#) [XBRL Taxonomy Extension Definition Linkbase Document](#)
[101.LAB*](#) [XBRL Taxonomy Extension Label Linkbase Document](#)
[101.PRE*](#) [XBRL Taxonomy Extension Presentation Linkbase Document](#)

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Filed herewith.

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: November 9, 2021

By:

/s/ Richard A. Wright

Richard A. Wright

President and Chief Executive Officer
(Principal Executive Officer)

Date: November 9, 2021

By:

/s/ David A. Guarino

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

**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.

November 9, 2021

/s/ Richard A. Wright

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

**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.

November 9, 2021

/s/ David A. Guarino

David A. Guarino

Chief Financial Officer and Treasurer

(Principal Financial Officer and Principal Accounting Officer)

**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 September 30, 2021 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.

November 9, 2021

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

**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 September 30, 2021 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.

November 9, 2021

/s/ David A. Guarino

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