
**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, 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.

109,250,353 shares of common stock issued and outstanding as of February 14, 2022.

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	December 31, 2021	March 31, 2021
ASSETS		
Current assets		
Cash	\$ 3,293,292	\$ 9,130,956
Accounts receivable, net	7,773,196	8,458,176
Inventory	8,829,559	4,407,720
Prepaid expenses	2,262,704	1,037,961
Operating lease right-of-use asset - current portion	167,299	236,446
Total current assets	22,326,050	23,271,259
Fixed assets - net		
Operating lease right-of-use asset	1,026,467	1,010,183
	143,693	269,167
Total assets	\$ 23,496,210	\$ 24,550,609
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 7,389,169	\$ 7,055,348
Accrued expenses	1,409,648	1,306,106
Revolving financing	6,426,601	4,324,412
PPP loan payable - current portion	-	328,570
Operating lease liability - current portion	162,147	229,605
Total current liabilities	15,387,565	13,244,041
Operating lease liability	175,043	292,582
Total liabilities	15,562,608	13,536,623
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock, \$0.001 par value, 100,000,000 shares authorized, 4,454,060 Series S issued and outstanding on December 31, 2021 and nil issued and outstanding on March 31, 2021	4,454	-
Common stock, Class A - \$0.001 par value, 200,000,000 shares authorized 107,242,070 and 87,465,178 shares issued and outstanding at December 31, 2021 and March 31, 2021, respectively	107,244	87,464
Additional paid in capital	106,293,256	80,857,742
Accumulated deficit	(98,471,352)	(69,931,220)
Total stockholders' equity	7,933,602	11,013,986
Total liabilities and stockholders' equity	\$ 23,496,210	\$ 24,550,609

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		For the Nine Months	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Revenue	\$ 15,110,400	\$ 9,616,200	\$ 44,479,743	\$ 33,209,062
Cost of Goods Sold	10,128,144	6,263,961	29,530,570	21,368,066
Gross Profit	4,982,256	3,352,239	14,949,173	11,840,996
Operating expenses				
Sales and marketing expenses	9,572,279	4,091,435	26,849,554	12,199,001
General and administrative	6,333,663	3,484,221	16,549,788	10,926,786
Total operating expenses	15,905,942	7,575,656	43,399,342	23,125,787
Total operating loss	(10,923,686)	(4,223,417)	(28,450,169)	(11,284,791)
Other expense				
Gain on forgiveness of PPP loan payable	330,551	-	330,551	-
Interest expense	(142,898)	(136,917)	(420,514)	(458,174)
Total other expense	187,653	(136,917)	(89,963)	(458,174)

Net loss	\$ (10,736,033)	\$ (4,360,334)	\$ (28,540,132)	\$ (11,742,965)
LOSS PER SHARE (Basic and Diluted)	\$ (0.10)	\$ (0.06)	\$ (0.30)	\$ (0.18)
WEIGHTED AVERAGE SHARES OUTSTANDING (Basic and Diluted)	105,580,951	73,528,255	95,891,561	66,286,634

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	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
Common shares issued upon exercise of warrants			166,666	167	91,498			91,665
Common shares issued to non-employees			97,977	99	119,900			119,999
Common shares issued to employees			50,000	50	49,950			50,000

Stock Option expense						213,698			213,698
Net (loss)								(4,360,334)	(4,360,334)
Balance, December 31, 2020	-	\$ -	73,637,115	\$ 73,637	\$ 67,010,711	\$ -	\$ (65,264,665)	\$ 1,819,683	
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	6,681,090	\$ 6,681	104,333,373	\$ 104,335	\$ 102,346,572	\$ -	\$ (87,735,319)	\$ 14,722,269	
Common shares issued upon exercise of warrants			666,667	667	832,649				833,316
Preferred Stock conversion to common stock	(2,227,030)	(2,227)	2,227,030	2,227					-
Common shares issued to non-employees			15,000	15	20,685				20,700
Stock option and RSU-related stock compensation expense						3,093,350			3,093,350
Net (loss)								(10,736,033)	(10,736,033)
Balance, December 31, 2021	4,454,060	\$ 4,454	107,242,070	\$ 107,244	\$ 106,293,256	\$ -	\$ (98,471,352)	\$ 7,933,602	

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the Nine Months	
	December 31, 2021	December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (28,540,132)	\$ (11,742,965)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	477,045	694,279
Shares issued and vested, options and RSU amortized for employee and non-employee services	6,966,005	2,064,149
Non-cash lease expense	9,624	932
Changes in operating assets and liabilities:		
Accounts receivable	684,980	27,421
Inventory	(4,421,839)	(1,193,794)
Prepaid expenses and other current assets	(1,224,743)	414,525
Accounts payable	333,821	(410,773)
Accrued expenses	(225,028)	543,938
NET CASH USED IN OPERATING ACTIVITIES	(25,940,267)	(9,602,288)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(493,329)	(152,877)
CASH USED IN INVESTING ACTIVITIES	(493,329)	(152,877)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayment of) revolving financing	2,102,189	(3,291,739)
Proceeds from promissory note payable	-	325,800
Proceeds from sale of common stock, net	4,995,250	4,899,998
Proceeds for the exercise of warrants, net	13,390,313	4,914,888
Proceeds for the exercise of stock options, net	108,180	61,480
CASH PROVIDED BY FINANCING ACTIVITIES	20,595,932	6,910,427
NET CHANGE IN CASH	(5,837,664)	(2,844,738)
CASH AT BEGINNING OF PERIOD	9,130,956	4,561,682
CASH AT END OF PERIOD	\$ 3,293,292	\$ 1,716,944
INTEREST PAID	\$ 411,866	\$ 411,507
TAXES PAID	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE of NON-CASH INVESTING AND FINANCIAL 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.

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 nine months ended December 31, 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 nine months ended December 31, 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 \$3,293,292 and \$9,130,956 in cash at December 31, 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 December 31, 2021 and March 31, 2021:

	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Trade receivables	\$ 8,113,196	\$ 8,798,176
Less: Allowance for doubtful accounts	(340,000)	(340,000)
Net accounts receivable	<u>\$ 7,773,196</u>	<u>\$ 8,458,176</u>

Accounts receivable are periodically evaluated for collectability based on past credit history with clients. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risk in the account balance and current economic conditions. The accounts receivable balance is pledged as collateral for the Company's revolving financing as disclosed in Note 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, 2021, and March 31, 2021, inventory consisted of the following:

	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Raw materials	\$ 3,625,392	\$ 3,055,091
Finished goods	5,204,167	1,352,629
Total inventory	<u>\$ 8,829,559</u>	<u>\$ 4,407,720</u>

Property and Equipment

The Company records all property and equipment at cost less accumulated depreciation. Improvements are capitalized while repairs and maintenance costs are expensed as incurred. Depreciation is calculated using the straight-line (half-life convention) method over the estimated useful life of the assets, 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 its cash on hand, funds from the exercise of outstanding warrants, and access to its ATM facility, 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 \$4,105,279 and \$1,837,964 for the three months ended December 31, 2021 and 2020, respectively and \$11,824,231 and \$5,315,518 for the nine months ended December 31, 2021 and 2020, respectively.

Concentration Risks

We have 2 major customers that together account for 32% (17% and 15%, respectively) of accounts receivable at December 31, 2021, 2 customer that accounts for 34% (17% and 17%, respectively) of total revenues for the three months ended December 31, 2021 and 2 customers that accounts for 33% (19% and 14%, respectively) of the total revenues earned for the nine months ended December 31, 2021. The Company has 3 vendors that accounts for 52% (27%, 14% and 11% respectively) of purchases for the three months ended December 31, 2021 and 3 vendors that accounted for 49% (25%, 14% and 10% respectively) of purchases for the nine months ended December 31, 2021.

We have 2 major customers that together account for 35% (18% and 17%, respectively) of accounts receivable at December 31, 2020, 2 customer that accounts for 40% (25% and 15%, respectively) of total revenues for the three months ended December 31, 2020 and 2 customers that accounts for 40% (23% and 17%, respectively) of the total revenues earned for the nine months ended December 31, 2020. The Company has 2 vendors that accounts for 48% (24% and 24% respectively) of purchases for the three months ended December 31, 2020 and 3 vendors that accounted for 53% (23%, 19% and 11% respectively) of purchases for the nine months ended December 31, 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 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 4,033,949 and 1,348,566 shares relating to options and 780,009 and 2,453,243 shares relating to warrants at December 31, 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 December 31, 2021, and 2020, the Company did not have any financial instruments that are measured on a recurring basis as Level 1, 2 or 3.

Correction of Previously Issued Financial Statements

The accompanying consolidated statement of operations for the three and nine months ended December 31, 2020 has been corrected for the following: a reclassification of depreciation expense of \$278,751 and \$686,372, 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 \$563,495 and \$1,946,003, 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 nine months ended December 31, 2020, cost of goods sold increased from \$5,985,210 to \$6,263,961 and from \$20,681,694 to \$21,368,066, respectively, and revenue decreased from \$10,179,695 to \$9,616,200 and \$35,155,065 to \$33,209,062, respectively which combined resulted in a decrease of gross profit from \$4,194,485 to \$3,352,239 and from \$14,473,371 to \$11,840,996, 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 2019, the FASB issued ASU 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. ASU 2019-10 changes the effective date of the credit loss standard (ASU 2016-13) to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years for smaller reporting companies. 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, 2021 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, 2021	March 31, 2021
Machinery and equipment	\$ 5,305,673	\$ 4,812,344
Office equipment	55,439	55,439
Less: accumulated depreciation	(4,334,645)	(3,857,600)
Property and equipment, net	<u>\$ 1,026,467</u>	<u>\$ 1,010,183</u>

Depreciation expense for the three months ended December 31, 2021 and December 31, 2020 was \$59,014 and \$281,962, respectively.

Depreciation expense for the nine months ended December 31, 2021 and December 31, 2020 was \$77,045 and \$694,279, respectively.

NOTE 3 - REVOLVING FINANCING

On February 1, 2017, the Company entered into a Credit and Security Agreement (the "Credit Agreement") with CNH Finance Fund I, L.P. (fka SCM Specialty Finance Opportunities Fund, L.P.) (the "Lender") which has been amended from time to time the last of which was March 2020.

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) \$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, and is subject to certain customer specific requirements).

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 December 31, 2021 was 6.5%.

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, 2022. 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, 2021.

The balance of the revolving financing was \$6,426,601 and \$4,324,412 at December 31, 2021 and March 31, 2021, respectively.

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 "PPP Loan").

The promissory note issued by Borrower, matures on April 29, 2022 and bears interest at a rate of 1% per annum. Borrower shall pay principal plus interest accrued under the promissory note in 18 equal monthly installments beginning on October 29, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Company intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. 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 totaling \$330,551 was forgiven.

NOTE 5 - 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.

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. As of December 31, 2021, the Company has paid \$1,000,000 under this agreement. The Company will be paying \$250,000 in each quarter in the fiscal years ended March 31, 2023 and March 31, 2024.

In addition, the Company agreed to grant 6,681,090 shares of Series S Preferred Stock to ABG, each vested share of which is convertible into one share of the Company's common stock. The shares of Series S Preferred Stock will vest as to 1/3 on May 12, 2021, May 1, 2022, and May 1, 2023, 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 December 31, 2021 was \$742,342.

In the three and nine months ended December 31, 2021, the Company recognized an expense of \$56,758 and \$2,484,687 respectively, in connection with the agreement.

Common Shares

Share Issuance

Effective as of November 19, 2021, we issued 2,227,030 shares of our common stock to one entity upon conversion of 2,227,030 shares of our Series S Preferred Stock without the payment of any additional consideration.

On December 20, 2021, the Issuer granted an award of 15,000 shares of common stock as a "restricted award" under their 2020 Equity Incentive Plan to a director.

Restricted Awards

On November 11, 2021, we granted awards of an aggregate of 2,000,000 shares of our common stock as "restricted awards" under our 2020 Equity Incentive Plan to certain directors, officers, employees, and consultants, fourteen persons in total. These shares will vest on January 15, 2022. In the three and nine months ended December 31, 2021, the Company recognized an expense of \$2,460,000 in connection with the grant and anticipates recognizing an expense of \$820,000 in the quarter ended March 31, 2022 for a total expense of \$3,280,000 for the year ended March 31, 2022. The grantees have no rights or privileges as stockholders of our company with respect to the unvested shares including, without limitation, the right to vote such shares and receive all dividends or other distributions paid with respect to such shares.

NOTE 6 - OPTIONS AND WARRANTS

Options

Issuance of Options

On November 11, 2021, we granted an aggregate of 129,000 stock options to five employees for the purchase of up to 129,000 shares of our common stock pursuant to our 2020 Equity Incentive Plan. Each stock option is exercisable at a price of US\$1.64 per share until November 10, 2031. The stock options will vest as to 50% on each anniversary of the grant date.

Warrants

Exercise of Warrants

Effective as of November 15, 2021, we issued an aggregate of 666,667 shares of our common stock to one individual upon exercise of our common stock purchase warrants with an exercise price of \$1.25 per share for aggregate gross proceeds of \$833,334.

NOTE 7 - 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.

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 \$37,932, 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 \$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 nine months ended December 31, 2021 was \$2,481 and \$285,007, respectively. Operating lease expense for the three and nine months ended December 31, 2020 was \$64,225 and \$158,440, respectively.

Operating Leases:

	December 31, 2021	
Operating lease right-of-use asset - current portion	\$	167,299
Operating lease right-of-use asset - non-current portion		143,693
Total Operating lease right-of-use asset	\$	310,992

Operating lease liability - current portion	\$	162,147
Operating lease liability - non-current portion		<u>175,043</u>
Total Operating lease liability	\$	<u>337,190</u>
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 December 31, 2021 are as follows:

		Operating Leases
Year ending March 31, 2022	\$	47,288
Year ending March 31, 2023		191,379
Year ending March 31, 2024		<u>119,150</u>
Total lease payments		357,816
Adjusted for interest		<u>(20,626)</u>
Total lease obligations	\$	<u>337,190</u>

NOTE 8 - RISKS AND UNCERTAINTIES

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, the Company cautions 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, the Company has 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.

NOTE 9 - SUBSEQUENT EVENTS

On January 11, 2022, we issued 1,617 shares of our common stock on account of an employee exercising 3,000 stock options on a cashless basis with an exercise price of \$0.53 per share.

On January 15, 2022, we issued an aggregate of 2,000,000 shares of our common stock that had vested from "restricted awards" granted on November 11, 2021 under our 2020 Equity Incentive Plan to certain directors, officers, employees, and consultants, fourteen persons in total.

On January 15, 2022, we issued 6,666 shares of our common stock to an employee that had vested from a restricted award previously granted.

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 objectives 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 International, Inc. (a Nevada Corporation), A88 Infused Products, Inc. (a Nevada Corporation), The Clean Beverage Company 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 December 31, 2021 and December 31, 2020

Our results of operations for the three months ended December 31, 2021 and December 31, 2020 are as follows:

	<u>For the three months ended December 31, 2021</u>	<u>For the three months ended December 31, 2020</u>
Revenue	\$ 15,110,400	\$ 9,616,200
Cost of goods sold	10,128,144	6,623,961
Gross profit	<u>\$ 4,982,256</u>	<u>\$ 3,352,239</u>
Net Loss	\$ (10,736,033)	\$ (4,360,334)

Revenue and Cost of Goods Sold

We had revenue from sales of our product for the three months ended December 31, 2021 of \$15,110,400 as compared to \$9,616,200 for the three months ended December 31, 2020, an increase of 57% 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 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 December 31, 2021, we had cost of goods sold of \$10,128,144, or 67% of revenue, as compared to cost of goods sold of \$6,623,961 or 65% of revenue, for the three months ended December 31, 2020.

Expenses

Our operating expenses for the three months ended December 31, 2021 and December 31, 2020 are as follows:

	<u>For the three months ended December 31, 2021</u>	<u>For the three months ended December 31, 2020</u>
Sales and marketing expenses	\$ 9,572,279	\$ 4,091,435
General and administrative expenses	6,333,663	3,484,221
Total operating expenses	<u>\$ 15,905,942</u>	<u>\$ 7,575,657</u>

For the three months ended December 31, 2021, our total operating expenses were \$15,905,942 as compared to \$7,575,656 for the three months ended December 31, 2020.

For the three months ended December 31, 2021, the total included \$9,572,279 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 \$6,333,663, consisted primarily of approximately \$1.3 million of professional fees, media fees and legal fees, stock option and restricted stock expense in the amount of approximately \$2.3 million and approximately \$1.5 million of wages and wage related expenses.

For the three months ended December 31, 2020, the total included \$4,091,435 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 \$3,484,221, consisted primarily of approximately \$2.0 million of professional fees, media fees and legal fees, stock option expense in the amount of approximately \$0.4 million and approximately \$0.8 million of wages and wage related expenses.

Nine Months Ended December 31, 2021 and December 31, 2020

Our results of operations for the nine months ended December 31, 2021 and December 31, 2020 are as follows:

	<u>For the nine months ended December 31, 2021</u>	<u>For the nine months ended December 31, 2020</u>
Revenue	\$ 44,479,743	\$ 33,209,062
Cost of goods sold	29,530,570	21,368,066
Gross profit	<u>\$ 14,949,173</u>	<u>\$ 11,840,996</u>
Net Loss	\$ (28,540,132)	\$ (11,742,965)

Revenue and Cost of Goods Sold

We had revenue from sales of our product for the nine months ended December 31, 2021 of \$44,479,743 as compared to \$33,209,062 for the nine months ended December 31, 2020, an increase of 34% 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 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.

For the nine months ended December 31, 2021, we had cost of goods sold of \$29,530,570, or 66% of revenue, as compared to cost of goods sold of \$21,368,066 or 64% of revenue, for the nine months ended December 31, 2020.

Expenses

Our operating expenses for the nine months ended December 31, 2021 and December 31, 2020 are as follows:

	<u>For the nine months ended December 31, 2021</u>	<u>For the nine months ended December 31, 2020</u>
Sales and marketing expenses	\$ 26,849,554	\$ 12,199,001
General and administrative expenses	16,549,788	10,926,786
Total operating expenses	<u>\$ 43,399,342</u>	<u>\$ 23,125,788</u>

For the nine months ended December 31, 2021, our total operating expenses were \$43,399,342, as compared to \$23,125,788 for the nine months ended December 31, 2020.

For the nine months ended December 31, 2021, the total included \$26,849,554 of sales and marketing expenses. Sales and marketing expenses increased compared to the nine months ended December 31, 2020 as a result of increased out bound freight to our customers of approximately \$6.5 million, increased advertising and promotional expenses of approximately \$2.9 million and increased non-cash stock expense of approximately \$1.7 million. General and administrative expenses of \$16,549,788, consisted primarily of approximately \$6.8 million of professional fees, stock option and stock award expense in the amount of approximately \$3.7 million and approximately \$3.6 million of wage and wage related expenses.

For the nine months ended December 31, 2020, the total included \$12,199,001 of sales and marketing expenses and \$10,926,786 of general and administrative expenses, consisting primarily of approximately \$5.3 million of professional fees, stock option expense in the amount of approximately \$2.3 million and approximately \$2.2 million of wage and wage related expenses.

Liquidity and Capital Resources

Working Capital

	<u>At December 31, 2021</u>	<u>At March 31, 2021</u>
Current assets	\$ 22,326,050	\$ 23,271,259
Current liabilities	15,387,565	13,244,041
Working capital	<u>\$ 6,938,485</u>	<u>\$ 10,027,218</u>

Current Assets

Current assets as of December 31, 2021 and March 31, 2021 primarily relate to \$3,293,292 and \$9,130,956 in cash, \$7,773,196 and \$8,458,176 in accounts receivable and \$8,829,559 and \$4,407,720 in inventory, respectively.

Current Liabilities

Current liabilities as of December 31, 2021 and March 31, 2021 primarily relate to \$7,389,169 and \$7,055,348 in accounts payable, revolving financing of \$6,426,601 and \$4,324,412, and accrued expenses of \$1,409,648 and \$1,306,106 respectively.

Cash Flows

Our cash flows for the nine months ended December 31, 2021 and December 31, 2020 are as follows:

	<u>For the nine months ended December 31, 2021</u>	<u>For the nine Months ended December 31, 2020</u>
Net cash used in operating activities	\$ (25,940,267)	\$ (9,602,288)
Net cash used in investing activities	(493,329)	(152,877)
Net cash provided by financing activities	20,595,932	6,910,427
Net increase (decrease) in cash and cash equivalents	<u>\$ (5,837,664)</u>	<u>\$ (2,844,738)</u>

Operating Activities

Net cash used in operating activities was \$25,940,267 for the nine months ended December 31, 2021, as compared to \$9,602,288 used in operating activities for the nine months ended December 31, 2020. The increase of approximately \$16 million in net cash used in operating activities is primarily due to approximately \$16 million increase of net loss in the nine months ended December 31, 2021 compared to the nine months ended December 31, 2020.

Investing Activities

Net cash used in investing activities was \$493,329 for the nine months ended December 31, 2021, as compared to \$152,877 used in investing activities for the nine months ended December 31, 2020.

Financing Activities

Net cash provided by financing activities for the nine months ended December 31, 2021 was \$20,595,932, as compared to \$6,910,427 for the nine months ended December 31,

2020. The increase of approximately \$13.7 million in net cash provided by financing activities is primarily due to increase of approximately \$8.5 million increase of proceeds provided by sale of common stock and proceeds from the exercise of warrants, and by an increase of approximately \$5.4 million of cash flows from revolving financing, net of repayments in the nine months ended December 31, 2021 compared to the nine months ended December 31, 2020.

Cash Requirements

We believe that between the cash on hand as of December 31, 2021, expected warrant exercises, and our credit line, we will have sufficient cash to sustain operations including our cash needs through at least December 31, 2022. If our own financial resources and future cash-flows from operations beyond December 31, 2022 are insufficient to sustain operations, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity securities will result in dilution to our stockholders. The incurrence of indebtedness will result in increased debt service obligations and could require us to agree to operating and financial covenants that could restrict our operations or modify our plans to grow the business. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, will limit our ability to expand our business operations and could harm our overall business prospects.

Off-Balance Sheet Arrangements

We 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-15I, 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 December 31, 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 quarter ended December 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)
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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)
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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 DaVella (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: February 14, 2022

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

Date: February 14, 2022

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.

February 14, 2022

/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.

February 14, 2022

/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 December 31, 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.

February 14, 2022

/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 December 31, 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.

February 14, 2022

/s/ David A. Guarino

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