

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended: March 31, 2023

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-38754

**THE ALKALINE WATER COMPANY INC.**

(Exact name of registrant as specified in its charter)

Nevada  
State or other jurisdiction of  
incorporation or organization

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

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

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

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

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

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

None  
(Title of Class)

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

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

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

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

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

Large accelerated filer   
Non-accelerated filer   
Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

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

9,325,300 shares of common stock at a price of \$.06 per share for an aggregate market value of \$47,139,391.50.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

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

As of August 15, 2023, there were 10,395,805 shares of common stock outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

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

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#### Forward-Looking Statements

This annual report contains "forward-looking statements." All statements other than statements of historical fact are "forward-looking statements" for purposes of applicable securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objections of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements 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 annual report, unless otherwise specified, all references to "common shares" refer to the common shares in our capital stock.

As used in this annual report on Form 10-K, the terms "we", "us" "our", the "Company" and "Alkaline" refer to The Alkaline Water Company Inc. (a Nevada Corporation) and its wholly owned subsidiary, Alkaline 88, LLC (an Arizona Limited Liability Company), unless otherwise specified.

#### Reverse Split

Effective April 5, 2023, we effected a fifteen for one reverse stock split of our authorized and issued and outstanding shares of common stock. As a result, our authorized common stock has decreased from 200,000,000 shares of common stock, with a par value of \$0.001 per share, to 13,333,333 shares of common stock, with a par value of \$0.001 per share, and the number of our issued and outstanding shares of common stock has decreased from approximately 152,149,661 to approximately 10,185,898. Any fractional shares resulting from the reverse stock split was rounded up to the next nearest whole number.

Accordingly, all share and per-share amounts for the current period and prior periods have been adjusted to reflect the reverse stock split

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## PART I

### ITEM 1. BUSINESS

#### Corporate Overview

Founded in 2012, The Alkaline Water Company (NASDAQ: WTER) is headquartered in Scottsdale, Arizona. Its flagship product, Alkaline88®, is a leading premier alkaline water brand available in bulk and single-serve sizes along with eco-friendly aluminum packaging options. 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. The Company also sells a line of Alkaline88® Sports Drinks.

Our bottled alkaline water product is presently available in over 75,000 stores in all 50 states, the District of Columbia, the Caribbean and in Mexico and Canada. 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 Columbia Distributing, Mahaska, Nevada Beverage, and Hensley, covering Nevada, Arizona, Pacific Northwest and Midwest region. Combined, they service over 25,000 customers in eight states. Each one carries our full line of waters. Some examples of retail clients are: Walmart, CVS, Rite-Aid, Family Dollar, Food Lion, Albertson's/Safeway, Kroger companies, Sam's Club, 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 full line of Alkaline88® bottled water products and sports drinks are presently available for purchase at [www.alkaline88.com](http://www.alkaline88.com) and [www.thealkalinewaterco.com](http://www.thealkalinewaterco.com).

Our operating subsidiary, Alkaline 88, LLC, operates primarily as a marketing, distribution, and manufacturing company for our alkaline bottled water products. It has entered

into co-packing agreements with nine different bottling companies located in Virginia, Georgia, California, Florida, Texas, Wisconsin, Nevada and Arizona to act as co-packers for our product. Our current capacity at all plants exceeds approximately \$14.0 million per month wholesale.

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

## Reverse Split

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Accordingly, all share and per-share amounts for the current period and prior periods have been adjusted to reflect the reverse stock split.

Our authorized preferred stock was not affected by the reverse stock split and continues to be 100,000,000 shares of preferred stock, with a par value of \$0.001 per share. The reverse stock split became effective with the Nasdaq Capital Market at the opening for trading on April 5, 2023 under the existing stock symbol "WTER".

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## Plan of Operations

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

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

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

Increase Manufacturing Capacity - Flagship Alkaline88<sup>®</sup> product: we expect to add three new co-packer facilities, strategically located to reduce freight costs and meet current volumes and future growth objectives;

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

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

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

Capital Considerations - Our business plan can be adjusted based on the available capital to the business. Our ability to operating as a going concern is dependent on obtaining adequate capital to fund operating losses until we become profitable. We have initiated a cost-reduction strategy along with our cash on hand, our line of credit is planned to fund our current planned operations and capital needs for the next 12 months. However, if our current plans change or are accelerated or we choose 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 expand our business operations and could harm our overall business prospects.

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.

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

## Distribution Method for Our Products

Our distribution network is a broker-distributor-retailer network, whereby brokers represent our products to distributors and retailers. Our target retail markets are: (a) chain and independent health food stores; (b) grocery stores; (c) convenience stores; (d) drug stores; and (e) the mass retail market. We are also adding certain DSD distribution partners in certain strategic markets throughout the United States to assist in our retail account penetration, specifically in the convenience store channel.

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

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

## Dependence on Few Customers

We have 1 major customer that together account for 11% of accounts receivable at March 31, 2023, and 2 customers that together account for 35% (18% and 17%, respectively) of the total revenues earned for the year ended March 31, 2023.

There can be no assurance that such customers will continue to order our products in the same level or at all. A reduction or delay in orders from such customers, including reductions or delays due to market, economic or competitive conditions, could have a material adverse effect on our business, operating results, and financial condition.

## Marketing

We intend to continue to market our product through our broker network and to avail ourselves to the promotional activities of other companies and competitors regarding the benefits of alkaline water. We anticipate that our initial marketing thrust will be to support the retailers and distribution network with point of sales displays and other marketing materials, strategically adding an extensive public relations program and other marketing as the markets dictate.

## **Competition**

The commercial retail beverage industry, and in particular its non-alcoholic beverage segment, is highly competitive. Market participants are of various sizes, with various market shares and geographical reach, some of whom have access to substantially more sources of capital.

We compete generally with all liquid refreshments, including bottled water and numerous specialty beverages, such as: CORE® Hydration, SOBE®, Snapple®, AriZona® Iced Tea, Vitaminwater®, Gatorade Perform®, and POWERADE®.

We compete indirectly with major international beverage companies including but not limited to: The Coca-Cola Company®, PepsiCo, Inc., The Nestlé Group, Dr Pepper Snapple Group, Inc, Danone S.A., The Kraft Heinz Company, and Unilever PLC. These companies have established market presence in the United States and globally, and offer a variety of beverages that are competitors to our products. We face potential direct competition from such companies, because they have the financial resources, and access to manufacturing and distribution channels to rapidly enter the alkaline water market.

We will compete directly with other alkaline water producers and brands focused on the emerging alkaline beverage market including Eternal, Essentia, Core, Icelandic, Real Water, AQUAHydrate, Mountain Valley, Qure, Penta, and Alka Power. Products offered by our direct competitors are sold in various volumes and prices with prices ranging from approximately \$0.99 for a half-liter bottle to \$4.99 for a one-gallon bottle, and volumes ranging from half-liter bottles to one-gallon bottles. We currently offer our product in a one-gallon bottle for a suggested resale price or a SRP of \$4.99, three-liter bottle for a SRP of \$3.99, 2 liter bottle at a SRP of \$2.99, 1.5 liter at a SRP of \$2.49, 1 liter at a SRP of \$1.99, 700 milliliter single serving at a SRP of \$1.19, an aluminum 500ml at a SRP of \$2.49, and a 500 milliliter at a SRP of \$0.99. Our competitors may introduce larger sizes and offer them at an SRP that is lower than our products. We can provide no assurances that consumers will continue to purchase our products or that they will not prefer to purchase a competitive product.

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## Intellectual Property

Where available, we intend to obtain trademark protection in the United States for a number of trademarks for slogans and product designs. We intend to aggressively assert our rights under trade secret, unfair competition, trademark and copyright laws to protect our intellectual property, including product design, product research and concepts and recognized trademarks. These rights are protected through the acquisition of patents and trademark registrations, the maintenance of trade secrets, the development of trade dress, and, where appropriate, litigation against those who are, in our opinion, infringing these rights. The trademark for Alkaline88<sup>®</sup> has been registered in the USA, Canada, Mexico, United Kingdom and Hong Kong.

Other trademarks that have been registered and are currently being used in our marketing efforts include Clean Beverage<sup>®</sup>, Smooth Hydration<sup>®</sup>, Ionized H2O<sup>®</sup>, A88<sup>®</sup>, Clean Beverage<sup>®</sup>, and Hello Hydration<sup>®</sup>.

Any third-party bottling facility that we may choose to utilize in the future and any other such operations will be subject to various environmental protection statutes and regulations, including those relating to the use of water resources and the discharge of wastewater. It will be our policy to comply with any and all such legal requirements. Compliance with these provisions has not had, and we do not expect such compliance to have, any material adverse effect on our capital expenditures, net income or competitive position.

## Employees

In addition to Frank Chessman, who is our president and chief executive officer, and David A. Guarino, who is our chief financial officer, secretary, treasurer and director, we currently employ 31 full time employees and 2 part-time employees. We also work with retail brokers in the United States who are paid on a contract basis. Our operations are overseen directly by management that engages our employees to carry on our business. Our management oversees all responsibilities in the areas of corporate administration, business development, and research. We intend to expand our current management to retain skilled directors, officers, and employees with experience relevant to our business focus. Our management's relationships with manufacturers, distillers, development/research companies, bottling concerns, and certain retail customers will provide the foundation through which we expect to grow our business in the future. We believe that the skill-set of our management team will be a primary asset in the development of our brands and trademarks. We also plan to form an independent network of contract sales and regional managers, a promotional support team, and several market segment specialists who will be paid on a variable basis.

## ITEM 1A. RISK FACTORS

An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in this report in evaluating our company and its business before purchasing our securities. Our business, operating results and financial condition could be seriously harmed as a result of the occurrence of any of the following risks. You could lose all or part of your investment due to any of these risks.

### Risks Related to Our Business

#### *We may have difficulty realizing consistent and meaningful revenues and achieving profitability.*

Our ability to successfully develop our products and to realize consistent and meaningful revenues and to achieve profitability cannot be assured. For us to realize consistent, meaningful revenues and to achieve profitability, our products must receive broad market acceptance by consumers. Without this market acceptance, we will not be able to generate sufficient revenue to continue our business operation. If our products are not widely accepted by the market, our business may fail.

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Our ability to achieve and maintain profitability and positive cash flow is dependent upon our ability to generate revenues, manage development costs and expenses, and compete successfully with our direct and indirect competitors. We anticipate operating losses in upcoming future periods. This will occur because there are expenses associated with the development, production, marketing, and sales of our products.

#### *Our continued operating losses express substantial doubt about our ability to continue as a going concern.*

Our financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. We have not yet established an ongoing source of revenues sufficient to cover our operating costs and to allow us to continue as a going concern. As of March 31, 2023, we had an accumulated deficit of \$137,078,578. Our ability to continue as a going concern is dependent on our company obtaining adequate capital to fund operating losses until we become profitable. If we are unable to obtain adequate capital, we could be forced to significantly curtail or cease operations. Our management has concluded that our historical recurring losses from operations and negative cash flows from operations as well as our dependence on private equity and financings raise substantial doubt about our ability to continue as a going concern and our auditor has included an explanatory paragraph relating to our ability to continue as a going concern in its audit report for the fiscal year ended March 31, 2023.

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

Our management evaluated our disclosure controls and procedures as of March 31, 2023 and concluded that as of that date, our disclosure controls and procedures were not effective. In addition, our management evaluated our internal control over financial reporting as of March 31, 2023 and concluded that that there were material weaknesses in our internal control over financial reporting as of that date and that our internal control over financial reporting was not effective as of that date. A material weakness is a control deficiency, or combination of control deficiencies, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected on a timely basis.

Our management identified the following material weaknesses in our internal control over financial reporting: (1) We had inadequate segregation of duties over both financial reporting and closing activities; (2) we had inadequate resources in the accounting department and (3) delays in the implementation of a new ERP accounting system which caused the system to not function as intended and as a result led to delays in our financial closing activities.

To address these material weaknesses, management performed additional analyses and other procedures to ensure that its financial statements fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented. Accordingly, we believe that our financial statements fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented. In response to the material weaknesses discussed above, we are working on implementing a new integrated ERP system and have hired additional accounting personnel. Once the ERP system is implemented in the third quarter of fiscal year 2024, we plan to engage a third-party consultant to develop a comprehensive control framework using the ERP and to document our internal controls based on the implementation of the ERP system.

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

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

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

We will have to continue to spend substantial funds on distribution, marketing and sales efforts before we will know if we have commercially viable and marketable/sellable products.

***There is no guarantee that sufficient sale levels will be achieved.***

There is no guarantee that the expenditure of money on distribution and marketing efforts will translate into sufficient sales to cover our expenses and result in profits. Consequently, there is a risk that you may lose all of your investment.

***Our development, marketing, and sales activities are limited by our size.***

Because of our relative size, we must limit our product development, marketing, and sales activities to the amount of capital we raise. As such, we may not be able to complete our production and business development program in a manner that is as thorough as we would like. We may not ever generate sufficient revenues to cover our operating and expansion costs.

***Changes in the non-alcoholic beverage business environment and retail landscape could adversely impact our financial results.***

The non-alcoholic beverage business environment is rapidly evolving as a result of, among other things, changes in consumer preferences, including changes based on health and nutrition considerations and obesity concerns; shifting consumer tastes and needs; changes in consumer lifestyles; and competitive product and pricing pressures. In addition, the non-alcoholic beverage retail landscape is very dynamic and constantly evolving, not only in emerging and developing markets, where modern trade is growing at a faster pace than traditional trade outlets, but also in developed markets, where discounters and value stores, as well as the volume of transactions through e-commerce, are growing at a rapid pace. If we are unable to successfully adapt to the rapidly changing environment and retail landscape, our share of sales, volume growth and overall financial results could be negatively affected.

***Intense competition and increasing competition in the commercial beverage market could hurt our business.***

The commercial retail beverage industry, and in particular its non-alcoholic beverage segment, is highly competitive. Market participants are of various sizes, with various market shares and geographical reach, some of whom have access to substantially more sources of capital.

We compete generally with all liquid refreshments, including bottled water and numerous specialty beverages, such as: CORE® Hydration, SOBE®, Snapple®, AriZona® Iced Tea, Vitaminwater®, Gatorade Perform®, and POWERADE®.

We compete indirectly with major international beverage companies including but not limited to: The Coca-Cola Company®, PepsiCo, Inc., The Nestlé Group, Dr. Pepper Snapple Group, Inc, Danone S.A., The Kraft Heinz Company, and Unilever PLC. These companies have established market presence in the United States and globally, and offer a variety of beverages that are competitors to our products. We face potential direct competition from such companies, because they have the financial resources, and access to manufacturing and distribution channels to rapidly enter the alkaline water market. We compete directly with other alkaline water producers and brands focused on the emerging alkaline beverage market including: Eternal Naturally Alkaline® Spring Water, Essentia®, CORE® Hydration, Icelandic Glacial™, Real Water®, AQUAhydrate®, Mount Valley Spring Water™, QURE Water®, Penta® Water, and Alka Power™. These companies could bolster their position in the alkaline water market through additional expenditure and promotion.

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As a result of both direct and indirect competition, our ability to successfully distribute, market and sell our products, and to gain sufficient market share in the United States and around the world to realize profits may be limited, greatly diminished, or totally diminished, which may lead to partial or total loss of your investments in our company.

***Alternative non-commercial beverages or processes could hurt our business.***

The availability of non-commercial beverages, such as tap water, and machines capable of producing alkaline water at the consumer's home or at store-fronts could hurt our business, market share, and profitability.

***Expansion of the alkaline beverage market or sufficiency of consumer demand in that market for operations to be profitable are not guaranteed.***

The alkaline water market is an emerging market and there is no guarantee that this market will expand or that consumer demand will be sufficiently high enough to allow our company to successfully market, distribute and sell our products, or to successfully compete with current or future competition, all of which may result in total loss of your investment.

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

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

***Our growth and profitability depends on the performance of third-party brokers and distributors and on our ongoing relationships with them.***

Our distribution network and its success depend on the performance of third parties. Any non-performance or deficient performance by such parties may undermine our operations, profitability, and result in total loss of your investment. To distribute our products, we use a broker-distributor-retailer network whereby brokers represent our products to distributors and retailers who will in turn sell our products to consumers. The success of this network will depend on the performance of the brokers, distributors and retailers within this network. There is a risk that a broker, distributor, or retailer may refuse to or cease to market or carry our products. There is a risk that the mentioned entities may not adequately perform their functions within the network by, without limitation, failing to distribute to sufficient retailers or positioning our products in localities that may not be receptive to our products. Furthermore, such third-parties' financial position or market share may deteriorate, which could adversely affect our distribution, marketing and sale activities. We also need to maintain good commercial relationships with third-party brokers, distributors and retailers so that they will promote and carry our products. Any adverse consequences resulting from the performance of third-parties or our relationship with them could undermine our operations, profitability and may result in total loss of your investment.

***The loss of one or more of our major customers or a decline in demand from one or more of these customers could harm our business.***

We had 1 major customer that together account for 11% of accounts receivable at March 31, 2023, and 2 customers that together account for 35% (18% and 17%, respectively) of the total revenues earned for the year ended March 31, 2023. There can be no assurance that such customers will continue to order our products at the same level or at all. A reduction or delay in orders from such customers, including reductions or delays due to market, economic or competitive conditions, could have a material adverse effect on our business, operating results and financial condition.

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

We had 3 vendors that accounted for 38% (17%, 11%, and 10%, respectively) of purchases for the year ended March 31, 2023. Like other companies in our industry, we

occasionally experience shortages and are unable to purchase our desired volume of products. Increasingly, our vendors are combining and merging together, leaving us with fewer alternative sources. If we are unable to maintain an adequate supply of products, our revenue and gross profit could suffer considerably. Finally, we cannot provide any assurance that our products will be available in quantities sufficient to meet customer demand. Any limits to product access could materially and adversely affect our business and results of operations.

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

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

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

Health benefits of alkaline water are not guaranteed and have not been proven. Although we do not market our products as having any potential health benefits, there is a consumer perception that drinking alkaline water has beneficial health effects. Consequently, negative changes in consumers' perception of the benefits of alkaline water or negative publicity surrounding alkaline water may result in loss of market share or potential market share and hence, loss of your investment. We are also prohibited from touting unconfirmed health benefits in our advertising and promotional activities for the products, both directly and indirectly through claims made by third-party endorsers when those endorsers have a material connection to our company.

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

Water is the main ingredient in our products. It is also a limited resource, facing unprecedented challenges from overexploitation, increasing pollution, poor management, and climate change. As demand for water continues to increase, as water becomes scarcer, and as the quality of available water deteriorates, we may incur increasing production costs or face capacity constraints that could adversely affect our profitability or net operating revenues in the long run.

***Increase in the cost, disruption of supply or shortage of ingredients, other raw materials or packaging materials could harm our business.***

We and our bottlers will use water, 84 trace minerals from Himalayan salts and packaging materials for bottles such as plastic and paper products. The prices for these ingredients, other raw materials and packaging materials fluctuate depending on market conditions. Substantial increases in the prices of our or our bottlers' ingredients, other raw materials and packaging materials, to the extent they cannot be recouped through increases in the prices of finished beverage products, could increase our operating costs and could reduce our profitability. Increases in the prices of our finished products resulting from a higher cost of ingredients, other raw materials and packaging materials could affect the affordability of our products and reduce sales.

An increase in the cost, a sustained interruption in the supply, or a shortage of some of these ingredients, other raw materials, or packaging materials and containers that may be caused by a deterioration of our or our bottlers' relationships with suppliers; by supplier quality and reliability issues; or by events such as natural disasters, power outages, labor strikes, political uncertainties or governmental instability, or the like, could negatively impact our net revenues and profits.

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***Unfavorable general economic conditions in the United States could negatively impact our financial performance.***

Unfavorable general economic conditions, such as a recession or economic slowdown, in the United States could negatively affect the affordability of, and consumer demand for, our products in the United States. Under difficult economic conditions, consumers may seek to reduce discretionary spending by forgoing purchases of our products or by shifting away from our beverages to lower-priced products offered by other companies, including non-alkaline water. Consumers may also cease purchasing bottled water and consume tap water. Lower consumer demand for our products in the United States could reduce our profitability.

***Adverse weather conditions could reduce the demand for our products.***

The sales of our products are influenced to some extent by weather conditions in the markets in which we operate. Unusually cold or rainy weather during the summer months may have a temporary effect on the demand for our products and contribute to lower sales, which could have an adverse effect on our results of operations for such periods.

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

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

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

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

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***Our products are considered premium beverages; we cannot provide any assurances as to consumers' continued market acceptance of our current and future products.***

We will compete directly with other alkaline water producers and brands focused on the emerging alkaline beverage market including Eternal, Essentia, Core, Icelandic, Real Water, AQUAhydrate, Mountain Valley, Qure, Penta, and Alka Power. Products offered by our direct competitors are sold in various volumes and prices with prices ranging from approximately \$0.99 for a half-liter bottle to \$4.99 for a one-gallon bottle, and volumes ranging from half-liter bottles to one-gallon bottles. We currently offer our product in a one-gallon bottle for a suggested resale price or an SRP of a \$4.99, three-liter bottle for an SRP of \$3.99, 2-liter at an SRP of \$2.99, 1.5 liter at an SRP of \$2.49, 1 liter at an SRP of \$1.99, 700 milliliter single serving at an SRP of \$1.19, and a 500 milliliter at an SRP of \$0.99. Our competitors may introduce larger sizes and offer them at an SRP that is lower than our products. We can provide no assurances that consumers will continue to purchase our products or that they will not prefer to purchase a competitive product.

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

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

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

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

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

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

We are highly dependent on two executive officers, Frank Chessman and David A. Guarino, who have extensive knowledge of our business and the industry in which we operate. We do not have "key person" life insurance policies for either of these officers. The loss of Frank Chessman and/or David A. Guarino could result in delays in product development, loss of any future customers and sales and diversion of management resources, which could adversely affect our operating results.

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

We rely on networks and information systems and other technology ("**information systems**"), including the Internet and third-party hosted services, to support a variety of business processes and activities, including procurement and supply chain, manufacturing, distribution, invoicing and collection of payments, employee processes and consumer marketing. We use information systems to process financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting and legal and tax requirements. In addition, we depend on information systems for digital marketing activities and electronic communications between our company and our bottlers and other customers, suppliers and consumers. Because information systems are critical to many of our operating activities, our business may be impacted by system shutdowns, service disruptions or security breaches. These incidents may be caused by failures during routine operations such as system upgrades or by user errors, as well as network or hardware failures, malicious or disruptive software, unintentional or malicious actions of employees or contractors, cyberattacks by common hackers, criminal groups or nation-state organizations or social-activist (hacktivist) organizations, geopolitical events, natural disasters, failures or impairments of



telecommunications networks, or other catastrophic events. In addition, such incidents could result in unauthorized or accidental disclosure of material confidential information or regulated individual personal data. If our information systems suffer severe damage, disruption or shutdown and our business continuity plans do not effectively resolve the issues in a timely manner, we could experience delays in reporting our financial results, and we may lose revenue and profits as a result of our inability to timely manufacture, distribute, invoice and collect payments for concentrate or finished products. Unauthorized or accidental access to, or destruction, loss, alteration, disclosure, falsification or unavailability of, information could result in violations of data privacy laws and regulations, damage to the reputation and credibility of our company and, therefore, could have a negative impact on net operating revenues. In addition, we may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to us, our current or former employees, our bottling partners, other customers or suppliers, or consumers or other data subjects, and may become exposed to legal action and increased regulatory oversight. We could also be required to spend significant financial and other resources to remedy the damage caused by a security breach or to repair or replace networks and information systems.

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

#### **Risks Related to Regulations Applicable to Our Industry**

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

We and our bottlers offer our products in non-refillable, recyclable containers in the United States. Regulations have been enacted in various jurisdictions in the United States requiring that deposits or certain eco-taxes or fees be charged for the sale, marketing and use of certain non-refillable beverage containers. Other proposals relating to beverage container deposits, recycling, eco-tax and/or product stewardship have been introduced in various jurisdictions in the United States and overseas, and we anticipate that similar legislation or regulations may be proposed in the future at local, state and federal levels in the United States. Consumers' increased concerns and changing attitudes about solid waste streams and environmental responsibility and the related publicity could result in the adoption of such legislation or regulations. Current regulations or the adoption of future regulations in the geographical regions in which we currently operate or intend to operate could adversely affect our costs or require changes in our distribution model, which could reduce our net operating revenues or profitability.

##### ***Significant additional labeling or warning requirements or limitations on the availability of our products may inhibit sales of affected products.***

Various jurisdictions may seek to adopt significant additional product labeling or warning requirements or limitations on the availability of our products relating to the content or perceived adverse health consequences of our products. Federal laws may preempt some or all of these attempts by state or localities to impose additional labeling or warning requirements. If these types of requirements become applicable to our products under current or future environmental or health laws or regulations, they may inhibit sales of our products. Moreover, if we fail to meet compliance deadlines for any such new requirements, our products may be deemed misbranded or mislabeled and could be subject to enforcement action, or we could be exposed to private lawsuits alleging misleading labels or product promotion.

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##### ***Changes in, or failure to comply with, the laws and regulations applicable to our products or our business operations could increase our costs or reduce our net operating revenues.***

The advertising, distribution, labeling, production, safety, sale, and transportation in the United States of our currently marketed products are subject to: the Federal Food, Drug, and Cosmetic Act; the Federal Trade Commission Act; the Lanham Act; state food and drug laws; state consumer protection laws; competition laws; federal, state, and local workplace health and safety laws, such as the Occupational Safety and Health Act; various federal, state and local environmental protection laws; and various other federal, state, and local statutes and regulations. Changes to such laws and regulations could increase our costs or reduce our net operating revenues.

In addition, failure to comply with environmental, health or safety requirements and other applicable laws or regulations could result in the assessment of damages, the imposition of penalties, suspension of production, changes to equipment or processes, or a cessation of operations at our or our bottlers' facilities, as well as damage to our image and reputation, all of which could harm our profitability.

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

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

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

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

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

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

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#### **Risks Related to Our Intellectual Property**

##### ***It is difficult and costly to protect our intellectual property.***

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

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

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

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

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

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

## **Risks Related to Our Stock**

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

We are authorized to issue up to 13,333,333 shares of our common stock and 100,000,000 shares of our preferred stock, of which 10,395,805 shares of our common stock are issued and outstanding as of August 15, 2023. Our board of directors has the authority to cause us to issue additional shares of our common stock and preferred stock, and to determine the rights, preferences, and privileges of shares of our preferred stock, without consent of our stockholders. Consequently, the stockholders may experience more dilution in their ownership of our stock in the future.

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***Trading on the Nasdaq Capital Market may be volatile, which could depress the market price of the shares of our common stock and make it difficult for our stockholders to resell their shares.***

The shares of our common stock are listed on the Nasdaq Capital Market. The trading of our common stock may experience wide fluctuations in trading prices, due to many factors that may have little to do with our operations or business prospects. This volatility could depress the market price of the shares of our common stock for reasons unrelated to operating performance.

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

A prolonged and substantial decline in the price of the shares of our common stock could result in a reduction in the liquidity of the shares of our common stock and a reduction in our ability to raise capital, or a delisting from a stock exchange on which our common stock trades. Because we plan to acquire a significant portion of the funds, we need in order to conduct our planned operations through the sale of equity securities, a decline in the price of the shares of our common stock could be detrimental to our liquidity and our operations because the decline may cause investors not to choose to invest in shares of our common stock. If we are unable to raise the funds, we require for all our planned operations and to meet our existing and future financial obligations, we may be forced to reallocate funds from other planned uses and may suffer a significant negative effect on our business plan and operations, including our ability to develop new products and continue our current operations. As a result, our business may suffer, and we may go out of business.

On April 13, 2023, the Company received a deficiency letter from the Listing Qualifications Department (the "Staff") of The Nasdaq Stock Market LLC ("Nasdaq"), notifying the Company that for the last 30 consecutive business days, the Company's minimum Market Value of Listed Securities ("MVLS") was below the minimum of \$35 million required for continued listing on the Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(b)(2) (the "Market Value Standard"). The Staff also noted that the Company does not meet the requirements under Nasdaq Listing Rules 5550(b)(1) Equity Standard and 5550(b)(3) and Net Income Standard.

In accordance with Nasdaq Listing Rule 5810(c)(3)(C), the Company has been given 180 calendar days, or until October 10, 2023, to regain compliance with the Market Value Standard. To regain compliance with the Market Value Standard, the MVLS for the Company's common stock must be at least \$35 million for a minimum of 10 consecutive business days at any time during this 180-day period. If the Company regains compliance with the Market Value Standard, the Staff will provide the Company with written confirmation and will close the matter.

If the Company does not regain compliance with the Market Value Standard by October 10, 2023, Nasdaq will provide notice that the Company's securities are subject to delisting from the Nasdaq Capital Market. At that time, the Company may appeal the Staff's delisting determination to a Hearings Panel (the "Panel"). There can be no assurance that, if the Company does appeal a delisting determination by the Staff to the Panel, such appeal would be successful.

The Company intends to monitor the MLVS between now and October 10, 2023, and may, if appropriate, evaluate available options to resolve the deficiency under the Market Value Standard and regain compliance with the Market Value Standard. The Company may also try to comply with another Nasdaq listing criteria, such as the ones under Nasdaq Listing Rule 5550(b)(1) Equity Standard. However, there can be no assurance that the Company will be able to regain or maintain compliance with Nasdaq listing criteria.

On July 18, 2023, The Company received a deficiency letter (the "Letter") from the Nasdaq, notifying the Company that since the Company had not yet filed its Form 10-K for the year ended March 31, 2023 (the "Form 10-K"), it no longer complies with the Nasdaq's Listing Rule 5250(c)(1) (the "Rule") relating to the Company's obligation to file periodic financial reports for continued listing.

The Letter stated that the Company has 60 calendar days to submit a plan (the "Plan") to regain compliance and if the Nasdaq accepts the Plan, the Nasdaq can grant an exception of up to 180 calendar days from the Form 10-K's due date, or until January 10, 2024, to regain compliance.

The Letter requested that the Company submit the Plan no later than September 18, 2023. If the Nasdaq does not accept the Plan, the Company will have the opportunity to appeal that decision to the Nasdaq Hearings Panel.

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*Because we do not intend to pay any cash dividends on the shares of our common stock in the near future, our stockholders will not be able to receive a return on their shares unless they sell them.*

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on the shares of our common stock in the near future. The declaration, payment and amount of any future dividends will be made at the discretion of our board of directors, and will depend upon, among other things, the results of operations, cash flows and financial condition, operating and capital requirements, and other factors as the board of directors considers relevant. There is no assurance that future dividends will be paid, and if dividends are paid, there is no assurance with respect to the amount of any such dividend. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

#### **ITEM 2. PROPERTIES**

Our principal offices are located at 8541 E. Anderson Drive, Suite 100, Scottsdale, AZ 85255 with a size of 9,166 square feet leased from a third party through September 30, 2023 at the current rate of \$10,697 per month. We believe that the condition of our principal offices is satisfactory, suitable and adequate for our current needs.

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

#### **ITEM 3. LEGAL PROCEEDINGS**

We know of no material pending legal proceedings to which our company or any of our subsidiaries is a party or of which any of our properties, or the properties of any of our subsidiaries, is the subject. In addition, we do not know of any such proceedings contemplated by any governmental authorities.

We know of no material proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholder is a party adverse to our company or any of our subsidiaries or has a material interest adverse to our company or any of our subsidiaries.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

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## **PART II**

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

##### **Market Information**

Our common stock has been listed for trading on the Nasdaq Capital Market since December 10, 2018 under the symbol "WTER." From May 19, 2020 to April 3, 2023, our common stock was listed on the Canadian Securities Exchange.

##### **Transfer Agents**

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

##### **Holders of Common Stock**

As of August 15, 2023, there were approximately 43 holders of record of our common stock. As of this date 10,395,805 shares were issued and outstanding.

##### **Dividends**

The payment of dividends, if any, in the future, rests within the sole discretion of our board of directors. The payment of dividends will depend upon our earnings, our capital requirements and our financial condition, as well as other relevant factors. We have not declared any cash dividends since our inception and have no present intention of paying any cash dividends on our common stock in the foreseeable future.

##### **Securities Authorized for Issuance under Equity Compensation Plans**

The following table summarizes certain information regarding our equity compensation plans as of March 31, 2023.

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<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> <b>(a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b> <b>(b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b> <b>(c)</b>
Equity compensation plans approved by security holders (2013 Equity Incentive Plan) <sup>(1)(2)</sup>	103,927	\$13.76	nil
Equity compensation plans not approved by security holders (2018 Stock Option Plan) <sup>(3)</sup>	124,422	\$7.95	nil
Equity compensation plans approved by security holders (2020 Equity Incentive Plan) <sup>(4)</sup>	428,378	\$8.90	124,267
<b>Total</b>	<b>656,727</b>	<b>\$9.49</b>	<b>124,267</b>

(1)Effective October 7, 2013, our board of directors adopted and approved our 2013 equity incentive plan. The plan was approved by a majority of our stockholders on October 7, 2013. On October 31, 2014, our board of directors amended our 2013 equity incentive plan to, among other things, increase the number of shares of stock of our company available for the grant of awards under the plan from 1,333,333 shares to 2,333,333 shares. The purpose of the plan is to (a) enable our company and any of our affiliates to attract and retain the types of employees, consultants and directors who will contribute to our company's long-range success; (b) provide incentives that align the interests of employees, consultants and directors with those of the stockholders of our company; and (c) promote the success of our company's business. Effective as of December 30, 2015, we effected a 50-for-1 reverse stock split of our authorized and issued and outstanding shares of common stock which decreased the number of shares of stock of our company available for the grant of awards under the plan from 2,333,333 shares to 46,667 shares. Effective as of January 20, 2016, our board of directors amended the plan to increase the number of shares of stock of our company available for the grant of awards under the plan from 46,667 to 513,333. The plan enabled us to grant awards of a maximum of 513,333 shares of our stock and awards that may be granted under the plan included incentive stock options, non-qualified stock options, stock appreciation rights, restricted awards, and performance compensation awards.

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

(3)On April 25, 2018, our board of directors adopted the 2018 Stock Option Plan, pursuant to which we may grant stock options to acquire up to a total of 344,775 shares of our common stock, including any other shares of our common stock which may be issued pursuant to any other stock options granted by our company outside the plan. We adopted the plan in connection with our application to list our common stock on the TSX Venture Exchange. The purpose of the plan is to retain the services of valued key employees and consultants of our company and such other persons as our board of directors selects, and to encourage such persons to acquire a greater proprietary interest in our company, thereby strengthening their incentive to achieve the objectives of our stockholders, and to serve as an aid and inducement in the hiring of new employees and to provide an equity incentive to consultants and other persons selected by our board of directors.

(4) Effective February 28, 2020 our board of directors adopted and approved our 2020 equity incentive plan, pursuant to which we may grant stock options to acquire up to a maximum of 600,000 shares of our common stock and non-stock option awards to acquire up to a maximum of 110,000 shares of our common stock. The plan was approved by a majority of our stockholders on March 30, 2020. On April 28, 2020, our board of directors amended our 2020 equity incentive plan to remove the requirement that the company obtain the acceptance of the plan by the TSX Venture Exchange prior to granting any awards under the plan. On September 29, 2021, our board of directors amended our 2020 equity incentive plan to increase the number of shares of common stock available for grant of non-stock awards by 3,000,000, and our stockholders approved this amendment on September 29, 2021. On August 1, 2022, our board of directors amended our 2020 equity incentive plan to increase the number of shares of common stock available for grant of non-stock awards by 333,333 shares, subject to and effective upon receipt of our stockholders' approval, and our stockholders approved this amendment on September 27, 2022. The purpose of our 2020 equity incentive plan is to: (i) enable our company and any affiliate of our company to attract and retain the types of employees, consultants, directors and such other persons as the plan administrator may select who will contribute to our company's long range success; (ii) provide incentives that align the interests of employees, consultants, directors and such other persons as the plan administrator may select with those of our company's stockholders; and (iii) promote the success of our company's business. Under the plan, either stock options or non-stock option awards may be granted. A non-stock option award mean a right granted to an award recipient under the plan, which may include the grant of stock appreciation rights, restricted awards, performance compensation awards or other equity-based awards.

#### **Recent Sales of Unregistered Securities**

Since the beginning of our fiscal year ended March 31, 2023, we have not sold any equity securities that were not registered under the Securities Act of 1933 that were not previously reported in a quarterly report on Form 10-Q or in a current report on Form 8-K.

#### **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

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

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

#### **Overview**

Founded in 2012, The Alkaline Water Company (NASDAQ: WTER) is headquartered in Scottsdale, Arizona. Its flagship product, Alkaline88®, is a leading premier alkaline water brand available in bulk and single-serve sizes along with eco-friendly aluminum packaging options. With its innovative, state-of-the-art proprietary electrolysis process, Alkaline88® delivers perfect 8.8 pH balanced alkaline drinking water with trace minerals and electrolytes and boasts our trademarked label 'Clean Beverage.' Quickly being recognized as a growing lifestyle brand, we launched Alkaline88® Sports Drinks.

Our bottled alkaline water product is presently available in over 75,000 stores in all 50 states, the District of Columbia, the Caribbean and in Mexico and Canada. 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 Columbia Distributing, Mahaska, Nevada Beverage, and Hensley, covering Nevada, Arizona, Pacific Northwest and Midwest region. Combined, they service over 25,000 customers in eight 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, Sam's Club, 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 full line of Alkaline88® bottled water products and sports drinks are presently available for purchase at [www.alkaline88.com](http://www.alkaline88.com) and [www.thealkalinewaterco.com](http://www.thealkalinewaterco.com).

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

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

#### **Cash Flows**

Our financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. We have not yet established an ongoing source of revenues sufficient to cover our operating costs, however, we have initiated a cost-reduction strategy along with our cash on hand, plus anticipated warrant exercises and debt settlements, our line of credit and the Sales Agreement is planned to fund our current planned operations and capital needs for the next 12 months. Our ability to continue as a going concern is dependent on our company obtaining additional capital to fund operating losses until we become profitable. If we are unable to obtain additional capital, we could be forced to significantly curtail or cease operations.

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## Inflationary Pressure

We have seen significant margin contraction as a result of inflationary pressures over the last 12 months. We've taken a number of steps that will allow us to increase our margins in the year ended March 31, 2024. These steps include (1) an approximate 6% across the board price increase; (2) a potential leveling off or small reduction in freight costs due to the geographic distribution of our new co-packers and suppliers; and (3) our buying power allowing us to lock in price breaks on raw materials over the next 12 months.

## Results of Operations

### Years Ended March 31, 2023 and March 31, 2022

The following summary of our results of operations should be read in conjunction with our audited consolidated financial statements for the years ended March 31, 2023 and March 31, 2022 which are included herein:

	Year Ended March 31, 2023	Year Ended March 31, 2022
Net Revenue	\$ 63,777,289	\$ 54,771,942
Cost of Goods Sold	52,131,162	45,377,275
Gross profit	11,646,127	9,394,667
Net Loss (after operating expenses and other expenses)	(27,405,193)	(39,584,360)

### Revenue and Cost of Goods Sold

We had revenue from sales of our product for the year ended March 31, 2023 of \$63,777,289 as compared to \$54,771,942 for the year ended March 31, 2022, an increase of 16%, generated by sales of our alkaline water. The increase in sales is due to the expanded distribution of our products to additional retailers throughout the country. We distribute our product through several channels. We sell through large national distributors (UNFI, KeHe, C&S, and Core-Mark), which together represent over 150,000 retail outlets. We also sell our product directly to retail clients, including convenience stores, natural food products stores, large ethnic markets and national retailers. Some examples of retail clients are: Walmart, CVS, Sam's Club, Family Dollar, Albertson/Safeway, Kroger companies, Schnucks, Smart & Final, Jewel-Osco, Sprouts, Bashas', Stater Bros. Markets, Unified Grocers, Bristol Farms, Publix, Vallarta, Superior Foods, Ingles, Shaw's, Raley's, Harris Teeter, Festival Foods, HEB and Brookshire's.

Net Revenue for the year ended March 31, 2022 has been corrected for an adjustment to reclassify Sales and marketing expenses of \$5,824,305 as a reduction of Net 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, Net Revenue decreased from \$60,596,247 to \$54,771,942 and Sales and marketing expenses decreased from \$32,636,143 to \$26,811,838. The correction had no impact on Total operating loss and Net loss.

Cost of goods sold is comprised of production costs, shipping and handling costs. For the year ended March 31, 2023, we had cost of goods sold of \$52,131,162, or 82% of net sales, as compared to cost of goods sold of \$45,377,275, or 83% of net sales, for the year ended March 31, 2022. The decrease in cost of goods sold as a percentage of net sales compared to the same period last year was due primarily due to the decreased raw materials costs and freight costs.

### Expenses

Our operating expenses for the years ended March 31, 2023 and March 31, 2022 are as follows:

	Year Ended March 31, 2023	Year Ended March 31, 2022
Sales and marketing expenses	\$ 22,659,968	\$ 26,811,838
General and administrative expenses	11,015,173	21,580,739
Total operating expenses	\$ 33,675,141	\$ 48,392,577

During the year ended March 31, 2023, our total operating expenses were \$33,675,141 as compared to \$48,392,577 for the year ended March 31, 2022. Sales and marketing expenses decreased by approximately \$4.2 million primarily resulting from a reduction of approximately \$4.3 million in marketing professional and endorsement fees. General and administrative expenses decreased by approximately \$10.6 million primarily resulting from an approximately \$6.1 million decrease in professional fees and approximately \$4.7 million decrease in non-cash stock compensation.

For the year ended March 31, 2023, the total of approximately \$22.7 million of selling and marketing expenses consisted primarily of approximately \$13.3 million of out-bound freight costs, \$1.6 million in marketing professional fees and \$2.3 in non-cash expenses relating to our endorsement agreement.

For the year ended March 31, 2022, the total of approximately \$26.8 million of selling and marketing expenses consisted primarily of approximately \$13.8 million of out-bound freight costs, \$5.1 million in marketing advertising and promotional fees and \$2.3 in non-cash expenses relating to our endorsement agreement.

For the year ended March 31, 2023, the total of approximately \$11.0 million of general and administrative expenses consisted primarily of approximately \$1.3 million of professional fees, media fees and legal fees, approximately \$6.1 million in wage expense and approximately \$1.3 million in stock compensation expense, relating to stock option expense and stock expense relating to endorsement.

For the year ended March 31, 2022, the total of approximately \$21.6 million of general and administrative expenses consisted primarily of approximately \$7.4 million of professional fees, media fees and legal fees, approximately \$5.3 million in wage expense and approximately \$6.0 million in stock compensation expense, relating to stock option expense and stock expense relating to endorsement.

## Liquidity and Capital Resources

### Working Capital

	At March 31, 2023	At March 31, 2022
Current assets	\$ 15,951,725	\$ 21,157,421
Current liabilities	23,344,608	21,920,686
Working capital	\$ (7,392,883)	\$ (763,265)

### Current Assets

Current assets as of March 31, 2023 and March 31, 2022 primarily relate to \$1,038,754 and \$1,531,062 in cash which decreased due to the Company's net loss; \$6,520,232 and \$7,927,065 in accounts receivable; and \$5,591,351 and \$8,583,664 in inventory, which decreased due to the Company's initiative in reducing costs and working capital.

### Current Liabilities

Current liabilities as of March 31, 2023 and March 31, 2022 primarily relate to \$11,616,247 and \$10,441,879 in accounts payable which increased due to higher raw material and freight costs, revolving financing of \$6,403,447 and \$7,043,870, and accrued expenses of \$1,996,387 and \$2,036,739, respectively.

**Cash Flow**

Our cash flows for the years ended March 31, 2023, and March 31, 2022 are as follows:

	<b>Year Ended March 31, 2023</b>	<b>Year Ended March 31, 2022</b>
Net Cash used in operating activities	\$ (10,429,380)	\$ (31,819,542)
Net Cash used in investing activities	(1,444,641)	(992,009)
Net Cash provided by financing activities	11,381,713	25,211,657
Net increase (decrease) in cash and cash equivalents	<u>\$ (492,308)</u>	<u>\$ (7,599,894)</u>

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### *Operating Activities*

Net cash used in operating activities was \$10,429,380 for the year ended March 31, 2023, as compared to \$31,819,542 used in operating activities for the year ended March 31, 2022. The decrease in net cash used was primarily due to the decreased net operating loss after adjustment for non-cash expenses of approximately \$11.3 million and an increase in changes in operating assets and liabilities in the amount of approximately \$10.0 million.

### *Investing Activities*

Net cash used in investing activities was \$1,444,641 for the year ended March 31, 2023, as compared to \$992,009 used in investing activities for the year ended March 31, 2022. The increase in net cash used from investing activities was due to increase of purchase of fixed assets.

### *Financing Activities*

Net cash provided by financing activities for the year ended March 31, 2023 was \$11,381,713, as compared to \$25,211,657 for the year ended March 31, 2022. The decrease in net cash provided by financing activities was due to lower proceeds from the exercise of warrants (approximately \$7.7 million) and proceeds from notes payable in the amount of \$3.8 million in the year ended March 31, 2022.

### **Cash Requirements**

Our ability to operate as a going concern is dependent on obtaining adequate capital to fund operating losses until we become profitable. We have initiated a cost-reduction strategy along with our cash on hand, plus anticipated warrant exercises, our line of credit and the Sales Agreement is planned to fund our current planned operations and capital needs for the next 12 months. However, if our current plans change or are accelerated or we choose 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 expand our business operations and could harm our overall business prospects.

### **Critical Accounting Policies**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

We have chosen accounting policies that we believe are appropriate to report accurately and fairly our operating results and financial position, and we apply those accounting policies in a fair and consistent manner. See "Part II—Item 8. Financial Statements and Supplementary Data—Note 1" for a discussion of our significant accounting policies.

### **Off-Balance Sheet Arrangements**

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

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

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### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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#### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of The Alkaline Water Company Inc. (the Company) as of March 31, 2023 and 2022, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended March 31, 2023, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended March 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

### **Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred accumulated net losses as of March 31, 2023 and the Company's Credit Agreement is currently set to expire on September 14, 2023, which raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Basis for Opinion**

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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



## Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there were no critical audit matters.

/s/ Prager Metis CPAs, LLC

We have served as the Company's auditor since 2019.

Basking Ridge, NJ

August 16, 2023

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### THE ALKALINE WATER COMPANY INC. CONSOLIDATED BALANCE SHEETS

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 1,038,754	\$ 1,531,062
Accounts receivable, net	6,520,232	7,927,065
Inventory	5,591,351	8,583,664
Prepaid expenses	2,679,274	2,928,085
Operating lease right-of-use asset - current portion	122,114	187,545
Total current assets	<u>15,951,725</u>	<u>21,157,421</u>
Fixed assets - net	2,058,132	1,200,797
Operating lease right-of-use asset	20,246	142,359
Total assets	<u>\$ 18,030,103</u>	<u>\$ 22,500,577</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities		
Accounts payable	\$ 11,616,247	\$ 10,441,879
Accrued expenses	1,996,387	2,036,739
Revolving financing	6,403,447	7,043,870
Notes payable, short-term	3,192,313	-
Convertible note payable, net of debt discount	-	2,223,633
Operating lease liability - current portion	136,214	174,565
Total current liabilities	23,344,608	21,920,686
Operating lease liability	22,223	178,753
Total liabilities	<u>23,366,831</u>	<u>22,099,439</u>
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock, \$0.001 par value, 100,000,000 shares authorized, 600,000 Series E issued and outstanding on March 31, 2023 and nil issued and outstanding on March 31, 2022 and 2,227,030 Series S issued and outstanding on March 31, 2023 and 4,453,970 issued and outstanding on March 31, 2022	2,827	4,454
Common stock, Class A - \$0.001 par value, 13,333,333 shares authorized 10,005,379 and 7,371,454 shares issued and outstanding at March 31, 2023 and March 31, 2022, respectively	10,005	7,371
Discount on Preferred Stock	(76,898)	-
Subscription Receivable	-	(62,388)
Additional paid in capital	131,805,916	109,967,281
Accumulated deficit	(137,078,578)	(109,515,580)
Total stockholders' equity	<u>(5,336,728)</u>	<u>401,138</u>
Total liabilities and stockholders' equity	<u>\$ 18,030,103</u>	<u>\$ 22,500,577</u>

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

### THE ALKALINE WATER COMPANY INC. CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended  
March 31, 2023      March 31, 2022

Net Revenue	\$	63,777,289	\$	54,771,942
Cost of Goods Sold		52,131,162		45,377,275
Gross Profit		11,646,127		9,394,667
Operating expenses				
Sales and marketing expenses		22,659,968		26,811,838
General and administrative		11,015,173		21,580,739
Total operating expenses		33,675,141		48,392,577
Total operating loss		(22,029,014)		(38,997,910)
Other (income) expense				
Interest expense		(2,970,567)		(917,001)
Debt conversion expense		(2,405,612)		-
Gain on forgiveness of PPP loan payable		-		330,551
Total other (income) expense		(5,376,179)		(586,450)
Net loss	\$	(27,405,193)	\$	(39,584,360)
LOSS PER SHARE (Basic and Diluted)	\$	(2.99)	\$	(5.99)
WEIGHTED AVERAGE SHARES OUTSTANDING (Basic and Diluted)		9,162,239		6,608,310

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

**THE ALKALINE WATER COMPANY**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	Preferred Stock		Common Stock		Additional Paid-in Capital	Discount of Preferred E	Stock Payable	Accumulated Deficit	Total
	Number	Par Value	Number	Par Value					
Balance, March 31, 2021	-	\$ -	5,831,012	\$ 5,831	\$ 80,939,375	\$ -	\$ -	\$ (69,931,220)	\$ 11,013,986
Preferred stock issuance	6,681,000	6,681			2,220,350				2,227,031
Preferred stock conversion to common stock	(2,227,030)	(2,227)	148,469	148	2,079				-
Common shares issued in connection with offerings			335,923	336	5,255,759		(62,388)		5,193,707
Common shares issued in connection with convertible note			31,667	32	345,423				345,455
Beneficial conversion feature					1,524,750				1,524,750
Common shares issued upon exercise of warrants			764,521	765	13,389,546				13,390,311
Common shares issued to non-employees			15,109	15	368,404				368,419
Stock option exercise			18,865	19	108,162				108,181
Stock option and RSU-related stock compensation expense			225,888	225	5,813,433				5,813,658
Net (loss)								(39,584,360)	(39,584,360)
Balance, March 31, 2022	4,453,970	\$ 4,454	7,371,454	\$ 7,371	\$ 109,967,281	\$ -	\$ (62,388)	\$ (109,515,580)	\$ 401,138
Balance, March 31, 2022	4,453,970	\$ 4,454	7,371,454	\$ 7,371	\$ 109,967,281	\$ -	\$ (62,388)	\$ (109,515,580)	\$ 401,138
Preferred stock series s vesting					2,041,445				2,041,445
Preferred stock series s conversion to common stock	(2,226,940)	(2,227)	148,469	148	2,079				-
Preferred stock and common shares issued in connection with issuance of preferred stock series e	1,100,000	1,100	58,667	59	1,310,311	(193,847)		(17,623)	1,110,000
Preferred stock series e conversion to common stock	(500,000)	(500)	138,094	138	10,695	116,949		(127,282)	-
Preferred stock series e dividend								(12,900)	(12,900)

Common Shares issued in connection with offerings	605,572	606	5,205,598	62,388	5,268,592				
Common shares issued in connection with conversion of note payable	697,290	697	6,274,876		6,275,573				
Common shares issued upon exercise of warrants	849,671	850	5,652,694		5,653,544				
Common shares issued to non-employees	5,255	5	39,995		40,000				
Stock option and RSU-related compensation expense and common shares issued upon conversion of RSUs	130,907	131	1,300,942		1,301,073				
Net (loss)				(27,405,193 )	(27,405,193 )				
Balance, March 31, 2023	<u>2,827,030</u>	<u>\$ 2,827</u>	<u>10,005,379</u>	<u>\$ 10,005</u>	<u>\$ 131,805,916</u>	<u>\$ (76,898)</u>	<u>\$ -</u>	<u>\$ (137,078,578)</u>	<u>\$ (5,336,728)</u>

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

**THE ALKALINE WATER COMPANY INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Year Ended	
	March 31, 2023	March 31, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (27,405,193)	\$ (39,584,360)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	900,140	801,395
Shares issued and vested, options and RSU expensed for employee and non-employee services	3,382,518	8,409,108
Gain on forgiveness of PPP loan payable	-	(330,551)
Amortization of debt discount	1,598,855	271,350
Debt conversion expense	2,405,612	-
Non-cash interest expense	47,472	24,468
Non-cash lease expense	(7,337)	6,840
Changes in operating assets and liabilities:		
Accounts receivable	1,406,833	531,111
Inventory	2,992,313	(4,175,944)
Prepaid expenses and other current assets	248,811	(1,890,124)
Accounts payable	861,535	3,386,531
Accrued expenses	(53,252)	730,634
Note payable, short-term	3,192,313	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(10,429,380)</b>	<b>(31,819,542)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(1,444,641)	(992,009)
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,444,641)</b>	<b>(992,009)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayment of) revolving financing, net	(640,423)	2,719,458
Proceeds from promissory note payable	-	3,800,000
Proceeds from sale of common stock, net	5,268,592	5,193,706
Proceeds from sale of preferred stock, net	1,100,000	-
Proceeds for the exercise of warrants, net	5,653,544	13,390,313
Proceeds for the exercise of stock options, net	-	108,180
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>11,381,713</b>	<b>25,211,657</b>
<b>NET CHANGE IN CASH</b>	<b>(492,308)</b>	<b>(7,599,894)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>1,531,062</b>	<b>9,130,956</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 1,038,754</b>	<b>\$ 1,531,062</b>
<b>INTEREST PAID</b>	<b>\$ 1,278,708</b>	<b>\$ 411,866</b>
<b>TAXES PAID</b>	<b>\$ -</b>	<b>\$ -</b>

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

**THE ALKALINE WATER COMPANY INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Nature of Business

The Company offers retail consumers bottled alkaline water in 500-milliliter, 700-milliliter, 1-liter, 1.5 -liter, 2,-liter, 3-liter and 1-gallon sizes, all of which is produced through an electrolysis process that uses specialized electronic cells coated with a variety of rare earth minerals to produce 8.8 pH drinking water without the use of any manmade chemicals. The Company also sells a line of Alkaline88® Sports Drinks.

Basis of presentation

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

Principles of consolidation

The consolidated financial statements include the accounts of The Alkaline Water Company Inc. (a Nevada Corporation) and its wholly owned subsidiary, Alkaline 88, LLC (an Arizona Limited Liability Company). All significant intercompany balances and transactions have been eliminated. The Alkaline Water 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 its Alkaline 88, LLC subsidiary 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 \$1,038,754 and \$1,531,062 in cash at March 31, 2023 and March 31, 2022, respectively.

## Accounts Receivable and Allowance for Doubtful Accounts

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

Accounts receivable consisted of the following as of March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Trade receivables, net	\$ 7,775,232	\$ 8,397,065
Less: Allowance for doubtful accounts	(1,255,000)	(470,000)
Net accounts receivable	<u>\$ 6,520,232</u>	<u>\$ 7,927,065</u>

Accounts receivable are periodically evaluated for collectability based on past credit history with clients. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risk in the account balance and current economic conditions. The accounts receivable balance is pledged as collateral for the Company's revolving financing as disclosed in Note 4.

## Inventory

Inventory represents raw materials and finished goods valued at the lower of cost or market with cost determined using the weight average method which approximates first-in first-out method, and with market defined as the lower of replacement cost or realizable value. The inventory balance is pledged as collateral for the Company's revolving financing as disclosed in Note 4.

As of March 31, 2023 and 2022, inventory consisted of the following:

	<u>2023</u>	<u>2022</u>
Raw materials	\$ 3,661,144	\$ 3,848,750
Finished goods	1,930,207	4,734,914
Total inventory	<u>\$ 5,591,351</u>	<u>\$ 8,583,664</u>

## Property and Equipment

The Company records all property and equipment at cost less accumulated depreciation. Improvements are capitalized while repairs and maintenance costs are expensed as incurred. Depreciation is calculated using the straight-line (half-life convention) method over the estimated useful life of the assets or the lease term, whichever is shorter. The Company evaluated its property and equipment for impairment and concluded for the year ended March 31, 2023, there was no impairment.

## Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Accounting Standards Codification ("ASC") 718. Stock-based compensation is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. The Company estimates the fair value of stock-based payments using the Black-Scholes option-pricing model for common stock options and warrants and the closing price of the Company's common stock for common share issuances.

## Advertising

Advertising costs are charged to operations when incurred. Advertising expenses for the years ended March 31, 2023 and 2022 were approximately \$0.7 million and \$2.7 million, respectively.

## Revenue Recognition

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

Revenue consists of the gross sales price, less variable consideration, including estimated allowances for which provisions are made at the time of sale, and certain other discounts and allowances. Costs incurred by the Company for shipping and handling charges are included in selling expenses and amounted to \$13,258,138 and \$13,850,620 (which are not included in revenue) for the years ended March 31, 2023 and 2022, respectively.

Promotional and other allowances (variable consideration) recorded as a reduction to net sales, primarily include consideration given to the Company's retail customers or distributors including, but not limited to the following: (a) discounts granted off list prices to support price promotions to end-consumers by retailers; (b) discounts to the Company's distributors for agreed portions of their promotional discounts to retailers; and (c) the Company's agreed share of in-store activities and other promotional allowances and various fees charged to the Company directly by its retailers, club stores and/or wholesalers. The Company's promotional allowance programs with its retailers or distributors are executed through separate agreements in the ordinary course of business. These agreements generally provide for one or more of the arrangements described above and are of varying durations, typically ranging from one week to one month. The accrual for promotional incentives is based on expected chargebacks from customers or distributors and typically deducted from invoices within 30 days of being earned. Historically, adjustments to our estimated accrual for customers' allowances have not been significant.

## Disaggregated Net Revenues

The following table reflects disaggregated net revenue by sales channel for the years ended March 31, 2023 and March 31, 2022 are as follows:

	<b>Year Ended March 31, 2023</b>	<b>Year Ended March 31, 2022</b>
Retailers	\$ 41,546,576	\$ 39,295,158
Distributors	21,371,179	14,026,882
Ecommerce/Other	859,534	1,449,902
Total Net Revenue	\$ 63,777,289	\$ 54,771,942

## Concentration Risks

We have 1 major customers that account for 11% of accounts receivable at March 31, 2023, and 2 customers that together account for 35% (18% and 17%, respectively) of the total revenues earned for the year ended March 31, 2023. The Company has 3 vendors that accounted for 38% (17%, 11%, and 10% respectively) of purchases for the year ended March 31, 2023.

## Income Taxes

In accordance with ASC 740 "Accounting for Income Taxes", the provision for income taxes is computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

## Reverse Stock-Split

Effective April 5, 2023, we effected a fifteen for one reverse stock split of our authorized and issued and outstanding shares of common stock. As a result, our authorized common stock has decreased from 200,000,000 shares of common stock, with a par value of \$0.001 per share, to 13,333,333 shares of common stock, with a par value of \$0.001 per share, and the number of our issued and outstanding shares of common stock has decreased from approximately 52,149,661 to approximately 10,185,898. Any fractional shares resulting from the reverse stock split was rounded up to the next nearest whole number.

Accordingly, all share and per-share amounts for the current period and prior periods have been adjusted to reflect the reverse stock split.

## Basic and Diluted Loss Per Share

Basic and diluted earnings or loss per share ("EPS") amounts in the consolidated financial statements are computed in accordance ASC 260- 10 *Earnings per Share*", which establishes the requirements for presenting EPS. Basic EPS is based on the weighted average number of common shares outstanding. Diluted EPS is based on the weighted average number of common shares outstanding and dilutive common stock equivalents. Basic EPS is computed by dividing net income or loss available to common stockholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Potentially dilutive securities were excluded from the calculation of diluted loss per share because their effect would be anti-dilutive.

For the year ended March 31, 2023, and 2022, respectively, the Company had 547,354 shares and 77,224 shares relating to options that were not included in the diluted earnings per share calculation because they were antidilutive. For the years ended March 31, 2023 and 2022, no shares relating to warrants and/or preferred stock, for either year, were not included in the diluted earnings per share calculation because they were antidilutive.

## Business Segments

The Company operates on one segment in one geographic location - the United States of America and; therefore, segment information is not presented.

## Fair Value of Financial Instruments

The carrying amounts of the company's financial instruments including accounts payable, accrued expenses, and notes payable approximate fair value due to the relative short period for maturity these instruments.

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

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

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

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

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

As of March 31, 2023 and 2022, the company did not have any financial instruments that are measured on a recurring basis as Level 1, 2 or 3.

## Correction of Previously Issued Financial Statements

The accompanying consolidated statement of operations for the year ended March 31, 2022 has been corrected for an adjustment to reclassify Sales and marketing expenses of \$5,824,305 as a reduction of Net 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, Net Revenue decreased from \$60,596,247 to \$54,771,942 and Sales and marketing expenses decreased from \$32,636,143 to \$26,811,838. The correction had no impact on Total operating loss and Net loss.

## Recent Accounting Pronouncements

*Standards Required to be Adopted in Future Years.*

The Company has evaluated recent accounting pronouncements through March 31, 2023 and believes that none of them will have a material effect on our consolidated financial statements.

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## NOTE 2 - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates realization of assets and satisfaction of liabilities in the normal course of business. Since its inception, the Company has been engaged substantially in developing its business plan and building its initial customer and distribution base for its products. As a result, the Company incurred accumulated net losses from Inception (June 19, 2012) through the period ended March 31, 2023 of (\$137,078,578). In addition, the Company's development activities since inception have been financially sustained through debt and equity financing and the Company's Credit Agreement is currently set to expire on September 14, 2023. These factors raise substantial doubt about the Company's ability to continue as a going concern within one year from the date that the financial statements are issued.

The Company's cash position may not be sufficient to support the Company's daily operations. Management plans to raise additional funds by way of a private or ongoing public offering. While the Company believes in the viability of its strategy and its ability to generate sufficient revenue and to raise additional funds, there can be no assurances to that effect. Should the Company fail to raise additional capital, it may be compelled to reduce the scope of its planned future business activities.

The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan, to generate sufficient revenue and to raise additional funds by way of public and/or private offerings.

The consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## NOTE 3 - PROPERTY AND EQUIPMENT

Fixed assets consisted of the following at:

	March 31, 2023	March 31, 2022
Machinery and Equipment	\$ 6,523,778	\$ 4,766,303
Office Equipment	55,439	55,439
Less: Accumulated Depreciation	(4,521,085)	(3,620,945)
Fixed Assets, net	<u>\$ 2,058,132</u>	<u>\$ 1,200,797</u>

Depreciation expense for the years ended March 31, 2023 and March 31, 2022 was \$900,140 and \$801,395 (of which \$889,888 and \$792,268 was part of cost of goods sold and \$10,252 and \$9,127 was part of general and administrative expenses), respectively.

The Company records all property and equipment at cost less accumulated depreciation. Depreciation is calculated using the straight-line (half-life convention) method over the estimated useful life of the assets (which the Company estimates to be three years). The Company determined that certain of its machinery and equipment was no longer in service as of March 31, 2022, thus machinery and equipment was reduced by approximately \$1 million with a corresponding reduction in accumulated depreciation.

## NOTE 4 - REVOLVING FINANCING

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

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.

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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) \$10 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 advance under the credit agreement as of March 31, 2023 was \$6,283,389.

The Credit Agreement expires on July 3, 2023 and was further extended to September 14, 2023, unless earlier terminated by the parties in accordance with the terms of the Credit Agreement.

The principal amount of the Revolving Facility outstanding bears interest at a rate per annum equal to (i) a fluctuating interest rate per annum equal at all times to the rate of interest announced, from time to time, within Wells Fargo Bank at its principal office in San Francisco as its "prime rate," plus (ii) 3.25%, payable monthly in arrears. The interest rate as of March 31, 2023 was 16.25%

To secure the payment and performance of the obligations under the Credit Agreement, we granted 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 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 September 14, 2023. 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 5 - PAYCHECK PROTECTION PROGRAM LOAN

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

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 6 - STOCKHOLDERS' EQUITY (DEFICIT)



## 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 March 31, 2023, the Company has paid \$2 million under this agreement.

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-fifteenth 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 \$15.00 per share on May 12, 2021. The Company valued the vested Series S Preferred Stock at \$2,227,030 per year.

The Company recognized an expense of \$2,227,030 for the year ended March 31, 2022 and March 31, 2023. In the year ending March 31, 2024, the Company anticipates recognizing an expense in the amount of \$2,227,030.

## Series E Convertible Preferred Stock

On November 23, 2022, we entered into private placement subscription agreements, whereby we issued an aggregate of 1,100,000 shares of our Series E Preferred Stock ("Series E Preferred Stock") at a deemed price of \$1.00 per share of Series E Preferred Stock for gross proceeds of \$1,100,000. Pursuant to the subscription agreements, in consideration for the subscribers' execution and delivery of the subscription agreements, we also issued an aggregate of 58,667 shares of our common stock (the "Commitment Shares") at a deemed price of \$3.75 per Commitment Share.

Holders of the Series E Preferred Stock (the "Holders") are entitled to receive dividends at the rate per share (as a percentage of the stated value per share) of 6% per annum, payable on each anniversary date of the original issue date of shares of Series E Preferred Stock held by applicable Holders in a number of shares of our common stock per share of the Series E Preferred Stock equal to the quotient obtained by dividing the dollar amount of such dividend payment by applicable market price. A stated value of each share of the Series E Preferred Stock is \$1.00. Any accrued but unpaid dividends on the Series E Preferred Stock being converted will be paid in our common stock upon the conversion of the Series E Preferred Stock. If we pay a dividend on our common stock while the shares of the Series E Preferred Stock are outstanding, the Holders will be entitled to receive a dividend per share of Series E Preferred Stock equal to the dividend per share of our common stock. Such dividend will be payable on the same terms and conditions as the payment of the dividend on our common stock.

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Each share of Series E Preferred Stock will be convertible, at any time after the date that is twelve months from the original issue date, at our option, into that number of units (each, a "Unit") determined by dividing the stated value of such share of Series E Preferred Stock by \$3.75 (the "Conversion Price"). Each Unit will consist of one share of our common stock and one-half of one common stock purchase warrant with each whole common stock purchase warrant entitling the holder thereof to acquire one additional share of our common stock at an exercise price equal to 125% of the Conversion Price for a period of three years following the conversion date.

The Company identified the conversion into a Unit (one share of preferred stock and one-half warrant) as an embedded beneficial conversion feature (ASC 470), thus the Company valued (using Black-Scholes option-pricing model for common stock options and warrants) each component of the Unit. The Warrant was valued at in the aggregate \$211,470 and the Common Stock was valued at \$888,530. Accordingly, the Company recognized an aggregate beneficial conversion feature of \$211,470 upon issuance of the Series E Preferred Stock with a \$211,470 increase in discount on preferred stock and a corresponding increase in additional paid-in capital. The value of the warrant is being amortized over a 1 year (the period from issuance to the earliest allowable conversion date). As of March 31, 2022, the discount on preferred stock was \$76,898.

A Holder may, at its option, at any time and from time to time after January 31, 2023, convert all, but no less than all, of shares of Series E Preferred Stock held by such Holder into that number of Units determined by dividing the stated value of such shares of Series E Preferred Stock by the Conversion Price. Each share of the Series E Preferred Stock will automatically convert, upon the occurrence of a Fundamental Transaction (as defined below), into that number of Units determined by dividing the stated value of such share of Series E Preferred Stock by the Conversion Price. The conversion right is subject to the beneficial ownership limitation, which will be 4.99% of the number of shares of our common stock outstanding immediately after giving effect to the issuance of shares of our common stock issuable upon conversion of the Series E Preferred Stock held by the applicable Holder. The Holder may increase or decrease the beneficial ownership limitation upon not less than 61 days' prior notice to our company, but in no event will such beneficial ownership exceed 9.99%.

Except with respect to a Fundamental Transaction, as required by law, or as required by the articles of incorporation of our company, the Holders and the holders of our common stock will be entitled to notice of any stockholders' meeting and to vote as a single class upon any matter submitted to the stockholders for a vote, on the following basis: (i) holders of our common stock will have one vote per share of our common stock held by them; and (ii) holders of Series E Preferred Stock will have one vote per share of Series E Preferred Stock held by them. With respect to a Fundamental Transaction, the Holders will be entitled to notice of any stockholders' meeting and to vote as a separate class and will have one vote per share of Series E Preferred Stock by them. A Fundamental Transaction means (i) any merger or consolidation of our company with or into another entity (but excluding a merger effected solely for the purpose of changing the jurisdiction of the incorporation of our company or changing the name of our company or liquidating, dissolving or winding-up one or more subsidiaries of our company), (ii) any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of our company's assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by our company or another individual or entity) is completed pursuant to which holders of our common stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding shares of our common stock, or (v) one or more related transactions consummating a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off, merger or scheme of arrangement) with another individual or entity or group of individuals or entities whereby such other individual or entity or group acquires more than 50% of the outstanding shares of our common stock (not including any shares of common stock held by the other individual or entity making or party to, or associated or affiliated with the other individual or entity making or party to, such stock or share purchase agreement or other business combination).

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The 500,000 shares of Series E Preferred Stock that was issued to one non-U.S. person was converted on March 24, 2022 into 33,333 shares of the Company's common stock along with an issuance of 4,761 shares of the Company's common stock for the \$10,333 dividend payable on the 500,000 shares of Series E Preferred Stock.

In addition, the Company has accrued \$12,900 as of March 31, 2023 as a dividend payable on the remaining 600,000 shares of Series E Preferred Stock.

## 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 will automatically convert into one unit consisting of one fifteenth 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 fifteenth share of our common stock for a period of three years from the date of issuance thereof at a price of \$18.75 per common share.

On November 23, 2022, we entered into private placement subscription agreements, whereby we issued an aggregate of 1,100,000 shares of our Series E Preferred Stock ("Series E Preferred Stock") at a price of \$1.00 per share of Series E Preferred Stock for gross proceeds of \$1,100,000. Pursuant to the subscription agreements, in consideration for the subscribers' execution and delivery of the subscription agreements, we also issued an aggregate of 58,667 shares of our common stock (the "Commitment Shares") at a deemed price of \$3.75 per Commitment Share.

#### Public Offering

On May 9, 2022, we completed an underwritten public offering of 555,556 shares of our common stock. The shares were issued at a public offering price of \$9.00 per share, for total net proceeds to our company of \$4,575,000 before deducting underwriting discounts, commissions and offering expenses payable by our company.

#### Share Issuance

Effective as of April 15, 2021, the Company issued 2,589 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 4,912 and 1,075 shares of our common stock respectively 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 5,533 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.

Effective as of November 19, 2021, we issued 148,469 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.

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On March 4, 2022, the Company entered into private placement subscription agreements, whereby it issued unsecured convertible notes (the "Notes") to three subscribers in the aggregate principal amounts of \$3,800,000. The Notes will mature on September 4, 2022 and will accrue interest at 8% per annum, which interest will be payable on the date of the maturity. Pursuant to the terms of the Notes, the holders of the Notes may convert all or any part of the principal amount outstanding under the Notes into units (the "Conversion Units") at a conversion price of \$12.00 per Conversion Unit. Each Conversion Unit will consist of one share of the Company's common stock and one share purchase warrant. Each share purchase warrant will entitle the holder thereof to acquire one share of the Company's common stock at a price of \$16.50 per share until March 4, 2025. Pursuant to the aforementioned subscription agreements, in consideration for the subscribers' execution and delivery of the subscription agreements, the Company issued an aggregate of 31,667 shares to three subscribers which the Company recognized a debt discount in the amount of \$45,455 which will be amortized over the term of the Notes.

In addition, the Company recognized a beneficial conversion feature in connection with the warrants in the amount of \$1,524,750 which will be amortized over the term of the Notes. For the three and six months ended September 30, 2022, the Company recognized interest expense in connection with the amortization of the beneficial conversion feature of \$542,133 and \$1,304,508, respectively.

On July 25, 2022, the Company entered into debt settlement agreements with the holders of the Notes in which the Company issued 10,459,354 common shares in settlement of the Company's Notes in an aggregate amount of \$3,869,962 (principal of \$3,800,000 and accrued and unpaid interest of \$69,962) at settlement price per share of \$0.37. The original conversion price per share of the Notes was \$0.80 per share and the stock price at the date of the debt settlement was \$0.429 per share. The settlement of the debt at \$0.37 per share resulted in a non-cash debt settlement expense of \$2,405,612.

Upon conversion of the Notes, the holders of the Notes received warrants to purchase 10,459,354 common shares in the Company at \$1.10 per share. The Company lowered the warrant exercise price from \$1.10 to \$0.44 for thirty days. The holders of the Notes exercised all of the warrants resulting in the Company receiving net proceeds of \$4,602,116 and the issuance of 10,459,354 shares of its common stock. In connection with this exercise of the warrants, the Company expensed the unamortized amount of the above referenced beneficial conversion feature recognized in connection with the issuance of the warrants.

During March 2022, the Company sold a total of 18,764 common shares through the Agent under the Sales Agreement for its previously established ATM facility.

During April, 2022, the Company sold a total of 50,016 common shares through our Agent under the Sales Agreement for our previously established ATM facility for net proceeds of \$631,203.

Effective as of May 2, 2022, the Company issued 148,469 shares of our common stock upon conversion of 2,227,030 shares of Series S Preferred Stock without the payment of any additional consideration.

Effective as of June 15, 2022, the Company issued an aggregate of 8,111 shares of common stock upon the vesting of "restricted awards" granted April 30, 2020 as part of the Company's 2020 Equity Incentive Plan. These shares were issued to 6 individuals.

Effective as of July 25, 2022, the Company issued an aggregate of 9,633,616 units of our company at a deemed price of \$0.37 per unit to three creditors. Each unit was comprised of one fifteenth share of common stock and one warrant. Each warrant entitled the holder to purchase one fifteenth share of our common stock at a price of \$6.60 per common share for a period of three years. As a condition of the debt settlement, each of the creditors who has received the units has agreed to immediately exercise the creditor's respective warrants. Accordingly, the creditors exercised warrants for an aggregate of 4,238,791 resulting in an aggregate of an additional 642,241 shares of our common stock being issued to such creditors.

Effective as of July 25, 2022, the Company issued 825,738 special warrants at a deemed price of \$0.37 per special warrant to one creditor. Each special warrant is automatically exercisable (without payment of any further consideration and subject to customary anti-dilution adjustments) into units on the date that is the earlier of: (i) the date that is three business days following the date on which our company obtains a receipt from the British Columbia Securities Commission for a (final) short form prospectus qualifying the distribution of the units issuable upon exercise of the special warrants, and (ii) the date that is four months and one day after the issuance of the special warrants. Each unit will be comprised of one fifteenth share of common stock and one warrant. Each warrant will entitle the holder to one fifteenth share of our common stock at a price of \$6.60 per common share. As consideration for the debt settlement and the issuance of the special warrants, the creditor agreed to exercise the warrants immediately upon automatic exercise of the special warrants.

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Effective as of August 29, 2022, the Company issued an aggregate of 152,381 shares of our common stock upon exercise of our common stock purchase warrants with an exercise price of \$6.90 per one share for aggregate gross proceeds to the Company of \$1,051,428. These warrants had an original exercise price of \$18.75 per one share of common stock. The Company reduced the exercise price of these warrants from \$18.75 to \$6.60 per one-fifteenth share for a period of 30 days, commencing on August 9, 2022, in order to entice the holders of these warrant to exercise their warrants. Klutch Financial Corp., a company wholly owned by Aaron Keay, a director of the Company at the time of the exercise, exercised their 1,000,000 warrants during the aforementioned period allowed for the exercise price reduction. The Company received net proceeds of \$460,000 in connection with the exercise of these 1,000,000 warrants by Klutch Financial Corp.

Effective as of September 7, 2022, the Company issued an aggregate of 825,738 units of our company upon automatic conversion of our special warrants at a deemed price of \$0.37 per unit to one creditor. Each unit was comprised of one-fifteenth share of common stock and one warrant. Each warrant entitled the holder to purchase an additional share of our common stock at a price of US\$0.44 per one-fifteenth share of common stock for a period of three years.

Effective as of September 7, 2022, the Company issued an aggregate of 55,049 shares of our common stock upon exercise of our common stock purchase warrants with an exercise price of \$0.44 per one-fifteenth share of common stock for aggregate gross proceeds of \$363,324.

On January 11, 2023, the Company issued an aggregate of 5,525 shares of our common stock in consideration for services rendered to our company. Of 5,525 shares of our common stock we issued, 1,282 shares were issued at a deemed price of \$7.80 per share, 2,041 shares were issued at a deemed price of \$7.35 per share and 1,932 shares were issued at a deemed price of \$7.76 per share.

Effective as of March 26, 2023, the Company issued 133,333 units of our company upon conversion of 500,000 shares of our Series E Preferred Stock. Each unit was comprised of one share of our common stock and one-half of one common stock purchase warrant. Each whole common stock purchase warrant entitles the holder to purchase an additional share of our common stock at a price of \$4.60 per share for a period of three years. In addition, effective as of March 26, 2023, we paid dividends on these 500,000 shares of our Series E Preferred Stock in the amount of \$10,333 by issuing 4,761 shares of our common stock at a price of \$2.17 per share.

#### **Restricted Awards**

On May 3, 2021, the Company issued 54,444 shares of our common stock to employees upon the exercise of vested restricted awards under our 2020 Equity Incentive Plan.

On November 11, 2021, we granted awards of an aggregate of 133,333 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.

On December 20, 2021, the Issuer granted an award of 1,000 shares of common stock as a "restricted award" under their 2020 Equity Incentive Plan to a director.

On January 15, 2022, the Company issued 133,778 shares of our common stock to employees and directors upon the exercise of vested restricted awards under our 2020 Equity Incentive Plan.

On March 31, 2022, the Company issued 37,667 shares of our common stock to employees and directors upon the exercise of vested restricted awards under our 2020 Equity Incentive Plan.

On June 10, 2022, we granted an award of 6,667 shares of our common stock as a "restricted award" under our 2020 Equity Incentive Plan to Richard A. Wright, a former director and executive officer of our company, pursuant to a Separation Agreement and Release of All Claims dated June 2, 2022 with Mr. Wright. These shares vested as of June 10, 2022.

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On July 29, 2022, we granted Frank Lazaran, our former president, chief executive officer, and current director, an award of 33,333 shares of our common stock as a "restricted award" under the employment agreement dated July 29, 2022 with Mr. Lazaran and our 2020 equity incentive plan. These shares vested as of July 29, 2022 with a value of \$214,000 based on a common share price of \$6.42.

On November 16, 2022, we granted an award of 170,000 shares of our common stock as a "restricted award" under our 2020 Equity Incentive Plan to certain directors, officers and employees. Of these restricted awards: (i) 163,333 vest as to 50% on the grant date and 50% on the six-month anniversary of the grant date; and (ii) 6,667 vest as to 50% on the six-month anniversary of the grant date and 50% on the one-year anniversary of the grant date.

On March 29, 2023, we granted an award of 6,667 shares of our common stock as a "restricted award" under our 2020 Equity Incentive Plan to a new director. 50% of these restricted awards will vest on the six-month anniversary of the date of grant and 50% will vest on the first-year anniversary of the date of grant.

#### **NOTE 7 - OPTIONS AND WARRANTS**

##### **Stock Option Plans**

Effective October 7, 2013, our board of directors adopted and approved our 2013 equity incentive plan. The plan was approved by a majority of our stockholders on October 7, 2013. On October 31, 2014, our board of directors amended our 2013 equity incentive plan to, among other things, increase the number of shares of stock of our company available for the grant of awards under the plan from 1,333,333 shares to 2,333,333 shares. The purpose of the plan is to (a) enable our company and any of our affiliates to attract and retain the types of employees, consultants and directors who will contribute to our company's long-range success; (b) provide incentives that align the interests of employees, consultants, and directors with those of the stockholders of our company; and (c) promote the success of our company's business. Effective as of December 30, 2015, we effected a 50-for-1 reverse stock split of our authorized and issued and outstanding shares of common stock which decreased the number of shares of stock of our company available for the grant of awards under the plan from 2,333,333 shares to 46,667 shares. Effective as of January 20, 2016, our board of directors amended the plan to increase the number of shares of stock of our company available for the grant of awards under the plan from 46,667 to 513,333. The plan enabled us to grant awards of a maximum of 513,333 shares of our stock and awards that may be granted under the plan included incentive stock options, non-qualified stock options, stock appreciation rights, restricted awards and performance compensation awards.

On April 25, 2018, our board of directors adopted the 2018 Stock Option Plan, pursuant to which we may grant stock options to acquire up to a total of 44,774 shares of our common stock, including any other shares of our common stock which may be issued pursuant to any other stock options granted by our company outside the plan. We adopted the plan in connection with our prior application to list our common stock on the TSX Venture Exchange. The purpose of the plan is to retain the services of valued key employees and consultants of our company and such other persons as our board of directors selects, and to encourage such persons to acquire a greater proprietary interest in our company, thereby strengthening their incentive to achieve the objectives of our stockholders, and to serve as an aid and inducement in the hiring of new employees and to provide an equity incentive to consultants and other persons selected by our board of directors.

Effective February 28, 2020, our board of directors adopted and approved our 2020 equity incentive plan, pursuant to which we may grant stock options to acquire up to a maximum of 600,000 shares of our common stock and non-stock option awards to acquire up to a maximum of 10,000 shares of our common stock. The plan was approved by a majority of our stockholders on March 30, 2020. The purpose of our 2020 equity incentive plan is to: (i) enable our company and any affiliate of our company to attract and retain the types of employees, consultants, directors and such other persons as the plan administrator may select who will contribute to our company's long range success; (ii) provide incentives that align the interests of employees, consultants, directors and such other persons as the plan administrator may select with those of our company's stockholders; and (iii) promote the success of our company's business. Under the plan, either stock options or non-stock option awards may be granted. Non-stock option awards mean a right granted to an award recipient under the plan, which may include the grant of stock appreciation rights, restricted awards, performance compensation awards or other equity-based awards.

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##### **Issuance of Options**

On July 27, 2021, the Company granted an aggregate of 30,267 stock options to certain employees for the purchase of up to 30,267 shares of common stock pursuant to the 2020 Equity Incentive Plan. Each stock option is exercisable at a price of \$26.25 per share until July 27, 2031.

On November 11, 2021, we granted an aggregate of 8,600 stock options to five employees for the purchase of up to 8,600 shares of our common stock pursuant to our 2020 Equity Incentive Plan. Each stock option is exercisable at a price of \$24.60 per share until November 10, 2031. The stock options will vest as to 50% on each

anniversary of the grant date.

On July 29, 2022, we granted Frank Lazaran, our president, chief executive officer and director, stock options to purchase 66,667 shares of our common stock pursuant to his employment agreement dated July 29, 2022 and our 2020 equity incentive plan. Each stock option is exercisable at a price of \$6.42 per share until July 29, 2032. The stock options will vest as to 50% on each anniversary of the grant date.

On August 23, 2022, we granted an aggregate of 148,667 stock options to certain employees for the purchase of up to 148,667 shares of our common stock pursuant to our 2020 Equity Incentive Plan. Each stock option is exercisable at a price of \$7.65 per share until August 23, 2032. These stock options vest as to 50% on each of the first and second anniversary of the grant date.

On November 16, 2022, we granted an aggregate of 60,000 stock options to certain directors, officers and employees of the Company for the purchase of up to 60,000 shares of our common stock pursuant to our 2020 Equity Incentive Plan. Each stock option is exercisable at a price of \$3.75 per share until November 16, 2032. All of these stock options vest 50% on each of the first and second anniversary of their grant date. The Company valued the stock options (using Black-Scholes option-pricing model for common stock options and warrants) at an implied price of \$3.30 or an aggregate value of \$194,400 which will be expensed over the 2-year vesting period.

On March 29, 2023, we granted 6,667 stock options to a director for the purchase of up to 6,667 shares of our common stock pursuant to our 2020 Equity Incentive Plan. Each stock option is exercisable at a price of \$2.40 per share until March 29, 2033. 50% of these stock options vest on the first-year anniversary of the date of grant and 50% vest on the second year anniversary of the date of grant.

## Exercise of Options

The Company issued 10,845 shares of common stock during the three months ending June 30, 2021 in connection with the exercise of stock options of which 6,067 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 7,913 shares of common stock during the three months ending September 30, 2021 in connection with the exercise of stock options of which 8,667 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.

Effective as of January 31, 2022 the Company issued an aggregate of 108 shares of our common stock upon a cash-less exercise of stock options.

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

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (years)
Outstanding at March 31, 2021	417,304	12.45	7.7
Granted	38,867	25.95	9.4
Exercised	(24,156)	9.30	7.4
Expired/Forfeited	(8,600)	23.10	8.4
Outstanding at March 31, 2022	423,415	13.65	6.9
Granted	282,000	6.41	9.5
Exercised	(2,267)	7.95	7.0
Expired/Forfeited	(117,467)	13.73	8.5
Outstanding at March 31, 2023	585,681	10.17	7.0
Exercisable at March 31, 2023	342,828	12.77	5.4

## Warrants

On September 29, 2021, the Company issued 4,757,381 share purchase warrants representing 317,159 common shares and at an exercise price of \$18.75 per share. These warrants were issued in connection with the private placement of common stock on September 29, 2021.

Effective as of July 25, 2022, we issued 825,738 special warrants at a deemed price of \$0.37 per special warrant to one creditor. Each special warrant is automatically exercisable (without payment of any further consideration and subject to customary anti-dilution adjustments) into units on the date that is the earlier of: (i) the date that is three business days following the date on which our company obtains a receipt from the British Columbia Securities Commission for a (final) short form prospectus qualifying the distribution of the units issuable upon exercise of the special warrants, and (ii) the date that is four months and one day after the issuance of the special warrants. Each unit will be comprised of one fifteenth share of common stock and one warrant. Each warrant will entitle the holder to purchase one fifteenth share of our common stock at a price of \$6.60 per share. As consideration for the debt settlement and the issuance of the special warrants, the creditor agreed to exercise the warrants immediately upon automatic exercise of the special warrants.

## Exercise of Warrants

The Company issued 85,185 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 634,892 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.

The Company issued an aggregate of 44,444 shares of our common stock effective November 15, 2021 to one individual upon exercise of our common stock purchase warrants for aggregate gross proceeds of \$833,334.

Effective as of July 25, 2022 the Company issued an aggregate of 697,290 shares of our common stock upon exercise of our common stock purchase warrants for aggregate gross proceeds of \$4,238,791.

Effective as of August 29, 2022, the Company issued an aggregate of 152,381 shares of our common stock upon exercise of our common stock purchase warrants for aggregate gross proceeds of \$1,051,428.

The following is a summary of the status of all of our warrants as of March 31, 2023, each warrant can be exchanged for one fifteenth share of our common stock, and changes during the years ended on that date:

Number of Warrants	Weighted- Average Exercise Price
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Outstanding at March 31, 2021	10,801,155	17.40
Granted	4,757,381	18.75
Exercised	(11,467,822)	17.55
Cancelled or Expired	-0-	0.00
Outstanding at March 31, 2022	4,090,714	18.75
Granted	10,959,354	6.47
Exercised	(12,745,068)	6.65
Cancelled or Expired	-0-	0.00
Outstanding at March 31, 2023	2,305,000	15.50
Warrants exercisable at March 31, 2023	2,305,000	15.50

The following table summarizes information about stock warrants outstanding and exercisable at March 31, 2023:

#### STOCK WARRANTS OUTSTANDING

<u>Exercise Price</u>	<u>Number of Warrants Outstanding</u>	<u>Weighted-Average Remaining Contractual Life in Years</u>
\$18.75	1,805,000	1.5
\$3.75	500,000	3.0

#### NOTE 8 - INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company recorded the valuation allowance due to the uncertainty of future realization of federal and state net operating loss carryforwards. The deferred income tax assets are comprised of the following at March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Deferred income tax assets:	\$ 21,900,000	\$ 16,300,000
Valuation allowance	(21,900,000)	(16,300,000)
Net total	<u>\$ -</u>	<u>\$ -</u>

At March 31, 2023, the Company had net operating loss carryforwards of approximately \$88 million and net operating loss carryforwards expire in 2023 through 2037. The current year's net operating loss will carryforward indefinitely.

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

The current income tax benefit of approximately \$5.7 million generated for the year ended March 31, 2023 was offset by an equal increase in the valuation allowance. The valuation allowance was increased due to uncertainties as to the Company's ability to generate sufficient taxable income to utilize the net operating loss carryforwards which is the only significant component of deferred taxes.

Reconciliation between the statutory rate and the effective tax rate is as follows at March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Effective Tax Rate Reconciliation:		
Federal statutory tax rate	21%	21%
State taxes, net of federal benefit	0%	0%
Change in valuation allowance	(21%)	(21%)
Effective Tax Rate	<u>0%</u>	<u>0%</u>

The Company recognizes interest and penalties related to uncertain tax positions in general and administrative expense. As of March 31, 2023 and 2022 the Company has no unrecognized uncertain tax positions, including interest and penalties.

The Company's federal income tax returns for tax years ended March 31, 2020 and beyond remain subject to examination by the Internal Revenue Service. The returns for Arizona, the Company's most significant state tax jurisdiction, remain subject to examination by the Arizona Department of Revenue for tax years ended March 31, 2019 and beyond.

#### NOTE 9 - LEASES

##### Leases

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

The Company leases property under operating leases.

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

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.

As of April 1, 2022, the Company entered into a lease for 1,520 square feet of warehouse space from a third party through March 2025 at a rate of \$1,812 per month for the first twelve months, then at a rate of \$1,867 per month for the last next twelve months and then at a rate of \$1,923 for the last twelve months. 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 \$60,737 and the lease liability for this lease was \$60,737, at inception of this lease, respectively.

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

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

Operating Lease expense for the year ended March 31, 2023 was \$246,710.

#### Operating Leases:

	<b>March 31, 2023</b>
Operating lease right-of-use asset - current portion	\$ 122,114
Operating lease right-of-use asset - non-current portion	20,246
<b>Total Operating lease right-of-use asset</b>	<b>\$ 142,360</b>
Operating lease liability - current portion	\$ 136,214
Operating lease liability - non-current portion	22,223
<b>Total Operating lease liability</b>	<b>\$ 158,437</b>
Weighted average remaining lease term (in years):	
Operating leases	1.0
Weighted average discount rate:	
Operating leases	7%

Maturities of undiscounted lease liabilities as of March 31, 2023 are as follows:

	Operating Leases
Year ending March 31, 2024	141,552
Year ending March 31, 2025	23,075
Total lease payments	164,627
Less: Imputed interest	(6,190)
Total lease obligations	158,437

#### NOTE 10 - COMMITMENTS AND CONTINGENCIES

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

#### NOTE 11 - SUBSEQUENT EVENTS

Effective as of April 4, 2023, we issued 133,333 units of our company upon conversion of 500,000 shares of our Series E Preferred Stock without the payment of any additional consideration. Each unit was comprised of one fifteenth share of our common stock and one thirtieth of one common stock purchase warrant. Each whole common stock purchase warrant entitles the holder to purchase an additional share of our common stock at a price of \$4.69 per share for a period of three years. In addition, effective as of April 4, 2023, we paid dividends on these 500,000 shares of our Series E Preferred Stock in the amount of \$1,083 by issuing 4,598 shares of our common stock at a price of \$2.410 per share.

Effective April 5, 2023, we effected a fifteen for one reverse stock split of our authorized and issued and outstanding shares of common stock. As a result, our authorized common stock has decreased from 200,000,000 shares of common stock, with a par value of \$0.001 per share, to 13,333,333 shares of common stock, with a par value of \$0.001 per share, and the number of our issued and outstanding shares of common stock has decreased from approximately 152,149,661 to approximately 10,185,898. Any fractional shares resulting from the reverse stock split will be rounded up to the next nearest whole number. Our authorized preferred stock was not affected by the reverse stock split and continues to be 100,000,000 shares of preferred stock, with a par value of \$0.001 per share.

Effective as of May 8, 2023, we issued 148,469 shares of our common stock upon conversion of 2,227,030 shares of our Series S Preferred Stock without the payment of any additional consideration. Effective April 30 and May 1, the Company issued 1,443 and 59,995 shares of common stock upon the vesting of restricted stock awards to employees.

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

None.

### ITEM 9A. CONTROLS AND PROCEDURES

#### Disclosure Controls and Procedures

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

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

#### Internal Control over Financial Reporting

##### *Management's Annual Report on Internal Control over Financial Reporting*

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

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our internal control over financial reporting as of March 31, 2023. Our management's evaluation of our internal control over financial reporting was based on the framework in Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this evaluation, our management concluded that our internal control over financial reporting was not effective as of March 31, 2023 and that there were material weaknesses in our internal control over financial reporting.

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

- (1) We had inadequate segregation of duties over both financial reporting and closing activities.
- (2) We had inadequate resources in the accounting department.
- (3) delays in the implementation of a new ERP accounting system which caused the system to not function as intended and as a result led to delays in our financial closing activities.

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

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#### *Remediation*

In response to the material weaknesses discussed above, we are working on implementing a new integrated ERP system and have hired additional accounting personnel. Once the ERP system is fully implemented in the third quarter of fiscal year 2024, we plan to engage a third-party consultant to develop a comprehensive control framework using the ERP and to document our internal controls based on the implementation of the ERP system.

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

#### *Limitations on Effectiveness of Controls*

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

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

There were no changes in our internal control over financial reporting during the fourth quarter of our fiscal year ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### ITEM 9B. OTHER INFORMATION

None.

### ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

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## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

#### Directors and Executive Officers

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

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

Name	Positions Held with Our Company	Age	Date First Elected or Appointed
Frank Chessman	Chief Executive Officer and President	70	February 20, 2023
David A. Guarino	Chief Financial Officer, Secretary, Treasurer and Director	59	April 28, 2017
Frank Lazaran	Chairman of the Board and Director	66	October 8, 2020
Ronald DaVella	Director	66	March 17, 2023
Brian Sudano	Director	58	September 14, 2018
David Rauch	Director	58	November 16, 2022

#### **Business Experience**

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

##### ***Frank Chessman***

On February 20, 2023, we appointed Frank Chessman as our chief executive officer and president.

Mr. Chessman is an accomplished executive with five decades of experience in sales, marketing, and operations. He holds a Bachelor of Science degree from the University of Southern California's Marshall School of Business and conducted graduate studies at the Anderson School at UCLA. Mr. Chessman served as Vice President of Sales and Advertising for Ralphs Grocery Company, now a major division of Kroger. He also spent 14 years at Simon Marketing as the Executive Vice President, where he gained valuable experience in marketing and promotions. His career also includes extensive beverage manufacturing experience prior to his time with our company. Prior to becoming our chief executive officer and president, Mr. Chessman had been the director of national sales for our company and then the director of sales and operations for our company.

##### ***David A. Guarino***

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

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

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##### ***Frank Lazaran***

Mr. Lazaran has been a director of our company since October 8, 2020 and chairman of our board of directors since March 13, 2023. From June 2, 2022 to February 20, 2023, Mr. Lazaran was our chief executive officer and president.

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

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

##### ***Ronald DaVella***

On March 17, 2023, we appointed Ronald DaVella as a director of our company.

Mr. DaVella is a seasoned financial expert and director, with extensive experience serving on various boards and offering financial advisory services to a wide range of industries. His background demonstrates his expertise in financial oversight, governance, and executive leadership.

Mr. DaVella retired from Deloitte as a partner in July 2014 after 34 years of service including 25 years as a partner. Since November 2014, Mr. DaVella has been a valued member of The Joint Corp.'s board of directors, where he chairs the audit committee and serves on the nominating and governance committee. He has simultaneously held positions on multiple boards, including Delta Dental of AZ, where he's been a board member and director since August 2020, serving as vice chairman, chairman of the audit and investment committee, and a member of the executive and compensation committee.

Mr. DaVella's portfolio further expanded in November 2020 when he joined Mobile Holding Properties, LLC as a board member and director, a role he held until January 2022. In January 2021, he began serving as a financial advisor for NorthStar Engineering Group, and later, in June 2022, he added Universal Health Group to his roster as a financial advisor, board member, and director. Multiomics and Industrial Succession Corp (formerly Manufacturing Succession Corp) also have benefited from his financial advisory expertise since July 2022. Additionally, Mr. DaVella has served as the chairman of the strategic advisory board for AURA Ventures since April 2020.

Beyond his board and advisory roles, Mr. DaVella has held leadership positions in various companies including as CFO for NanoFlex Power Corp., from May 2017 to March 2019, and as owner of Katherine's Lashes, LLC, an Amazing Lash Studios franchisee, in Chandler, AZ, from August 2015 to February 2019. Mr. DaVella formerly served as executive vice president of finance of our company from May 1, 2019 to January 1, 2020.

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

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### **Brian Sudano**

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

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

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

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

### **David Rauch**

Mr. Rauch has been a director of our company since November 16, 2022. Mr. Rauch is the President and General Counsel of Annexus, which creates innovative retirement income products that provide better client outcomes. He had previously served as Chief Operating Officer as well. From 1993 to 2012, he was a partner at Snell and Wilmer, handling business and franchise litigation. He received his JD from the University of California - Los Angeles (Order of the Coif) and has a B.S. in Finance from San Diego State University (summa cum laude and the Outstanding Finance Graduate of 1988).

Mr. Rauch is involved with The Thunderbirds, the host organization of the WM Phoenix Open golf tournament. He served as Tournament Chairman in 2010. He was previously heavily involved in the Special Olympics of Arizona and is the Immediate Past Chair of the Barrow Neurological Foundation. He and his wife Julie support Thunderbird Charities, Barrow, and The Board of Visitors, the oldest women's charitable organization in Arizona.

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

### **Family Relationships**

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

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### **Involvement in Certain Legal Proceedings**

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

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

### **Delinquent Section 16(a) Reports**

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who own more than 10% of our common stock, to file reports regarding ownership of, and transactions in, our securities with the Securities and Exchange Commission and to provide us with copies of those filings. Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons we believe that during year ended March 31, 2023 all filing requirements applicable to our executive officers and directors, and persons who own more than 10% of our common stock were complied with, with the exception of the following:

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Name	Number of Late Reports	Number of Transactions Not Reported on a Timely Basis	Failure to File Requested Forms
David A. Guarino	1	2	Nil
Frank Lazaran	1	2	Nil
Brian Sudano	1	1	Nil
Aaron Keay	1	2	Nil

#### Code of Ethics

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

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

#### Committees of Board of Directors

##### *Audit Committee*

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

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##### *Audit Committee Financial Expert*

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

##### *Nomination of Directors*

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

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

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

##### *Compensation Committee*

Our board of directors has a compensation committee comprised of Ronald DaVella, Brian Sudano, and David Rauch. Our compensation committee has the following authority and responsibilities:

- to review and approve annually the corporate goals and objectives applicable to the compensation of the chief executive officer ("CEO"), evaluate at least annually the CEO's performance in light of those goals and objectives, and determine and approve the CEO's compensation level based on this evaluation;
- to review and make recommendations to the board regarding the compensation of all other executive officers;
- to review and make recommendations to the board regarding incentive compensation plans and equity-based plans, and where appropriate or required, recommend for approval of such plans by the stockholders of our company;
- to review and discuss with management our compensation discussion and analysis ("CD&A") and the related executive compensation information, recommend that the CD&A and related executive compensation information be included in our annual report on Form 10-K and proxy statement, and produce the compensation committee report on executive officer compensation required to be included in our proxy statement or annual report on Form 10-K;

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- to review and make recommendations to the board regarding any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the CEO and other executive officers, which includes the ability to adopt, amend and terminate such agreements, arrangements or plans;
  - to determine stock ownership guidelines for the CEO and other executive officers and monitor compliance with such guidelines;
  - to review and make recommendations to the board regarding all employee benefit plans for our company, which includes the ability to adopt, amend and terminate such plans;
  - to review our incentive compensation arrangements to determine whether they encourage excessive risk-taking, to review and discuss at least annually the relationship between risk management policies and practices and compensation, and to evaluate compensation policies and practices that could mitigate any such risk;

- to review and recommend to the board for approval the frequency with which our company will conduct say on pay votes, taking into account the results of the most recent stockholder advisory vote on frequency of say on pay votes required by Section 14A of the Securities Exchange Act of 1934, and review and approve the proposals regarding the say on pay vote and the frequency of the say on pay vote to be included in our proxy statement; and
- to review all director compensation and benefits for service on the board and any committees of the board at least once a year and to recommend any changes to the board as necessary.

## ITEM 11. EXECUTIVE COMPENSATION

### Summary Compensation

The particulars of compensation paid to the following persons:

- all individuals serving as our principal executive officer during the year ended March 31, 2023
- each of our two most highly compensated executive officers who were serving as executive officers at the end of the year ended March 31, 2023; and
- up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at March 31, 2023,

who we will collectively refer to as the named executive officers, for all services rendered in all capacities to our company and subsidiaries for the years ended March 31, 2023 and 2022 are set out in the following summary compensation table:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Frank Chessman <sup>(12)</sup> Chief Executive Officer and President	2023	66,125 <sup>(15)</sup>	Nil	125,000	307,500	Nil	Nil	199,000 <sup>(16)</sup>	697,625
	2022	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
David A. Guarino Chief Financial Officer, Secretary, Treasurer and Director	2023	252,000	Nil	62,500 <sup>(1)</sup>	134,500 <sup>(2)</sup>	Nil	Nil	9,000	458,000
	2022	252,000	25,000	492,000 <sup>(3)(4)</sup>	Nil	Nil	Nil	9,000	778,000
Frank Lazaran <sup>(13)</sup> Former President, Chief Executive Officer, and current Director	2023	183,333	Nil	283,291 <sup>(5)(6)(7)</sup>	408,500 <sup>(8)(9)</sup>	Nil	Nil	6,750	881,874
	2022	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Richard A. Wright <sup>(14)</sup> Former President, Chief Executive Officer, Vice-President, Chief Operating Officer and Director	2023	46,511	Nil	51,540	Nil	Nil	Nil	385,754	483,805
	2022	252,000	25,000	656,000 <sup>(10)(11)</sup>	Nil	Nil	Nil	22,556	955,556

### Notes:

- Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 125,000 pre-split shares of our common stock as "restricted awards" effective November 16, 2022 (valued at \$31,500).
- Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 250,000 pre-split option awards effective August 23, 2022 (valued at \$112,500).
- Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 400,000 pre-split shares of our common stock as "restricted awards" effective November 11, 2021 (valued at \$492,000).
- Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 100,000 pre-split shares of our common stock as "restricted awards" effective March 31, 2022 (valued at \$92,000).
- Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 8,333 pre-split shares of our common stock as "restricted awards" effective April 30, 2022 (valued at \$6,291).
- Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 500,000 pre-split shares of our common stock as "restricted awards" effective July 29, 2022 (valued at \$214,000).
- Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 250,000 pre-split shares of our common stock as "restricted awards" effective November 16, 2022 (valued at \$63,000).
- Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 1,000,000 pre-split option awards effective July 29, 2022 (valued at \$370,000).
- Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 175,000 pre-split option awards effective November 16, 2022 (valued at \$38,500).
- Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 400,000 pre-split shares of our common stock as "restricted awards" effective November 11, 2021 (valued at \$656,000).
- Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 150,000 pre-split shares of our common stock as "restricted awards" effective March 31, 2022 (valued at \$138,000).
- On February 20, 2023, we appointed Frank Chessman as our chief executive officer and president.
- Mr. Lazaran has been a director of our company since October 8, 2020 and chairman of our board of directors since March 13, 2023. From June 2, 2022 to February 20, 2023, Mr. Lazaran was our chief executive officer and president.
- Effective June 2, 2022, Richard A. Wright resigned as a director and officer (including as the president and chief executive officer) of our company.
- Consists of Frank Chessman's salary as a result of his being an employee starting January 1, 2023.
- Consists of Frank Chessman's compensation as a consultant prior to his being an employee starting January 1, 2023.

### Frank Chessman

During the fiscal year ended March 31, 2021, we paid Mr. Chessman \$181,000 for his services to our company.

During the fiscal year ended March 31, 2022, we paid Mr. Chessman \$222,000 for his services to our company.

From April 1, 2022 to September 30, 2022, we paid Mr. Chessman \$117,250 for his services to our company.

On November 16, 2022, we entered into an employment agreement with Mr. Chessman pursuant to which, as of the effective date of October 1, 2022 (the "FC Effective Date"), we have agreed to employ Mr. Chessman and Mr. Chessman has agreed to perform such duties as are regularly and customarily performed by the Director of Sales and Operations of a corporation, and any other duties consistent with Mr. Chessman's position in our company. Pursuant to the terms of the employment agreement, we agreed to pay Mr. Chessman \$252,000 annually or such other amount as may be determined by our board of directors from time to time, commencing on the FC Effective Date. On February 20, 2023, we appointed Frank Chessman as our chief executive officer and president and our board of directors increased the salary paid to Mr. Chessman, effective as February 1, 2023, by \$25,000 annually.

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In addition, during each of our fiscal years during the term of the employment agreement (beginning with the fiscal year of April 1, 2022 to March 31, 2023 (the "Fiscal 2023"), Mr. Chessman will be eligible for the following annual bonuses: (i) up to 50% of Mr. Chessman's salary, with the exact amount of the bonus to be determined within 30 days of the end of each fiscal year by the compensation committee of our board of directors, based upon 90% of Mr. Chessman's performance during the immediately preceding fiscal year as measured by certain key performance indicators (the "KPIs"), and 10% upon the discretion of the compensation committee. During the term of the employment agreement, these KPIs (i) will be updated within 30 days of the end of each fiscal year, with the first update being April 30, 2023; and (ii) will be set and established in the sole discretion of the compensation committee of our board of directors. However, the KPIs for the Fiscal 2023 will be for the period from October 1, 2022 through March 31, 2023 due to Mr. Chessman's start date and transition time required.

In addition, Mr. Chessman will be entitled to participate in all of our employee benefit plans provided by our company to our senior officers. If we do not provide such plans at any time or if Mr. Chessman elects to remain on his current insurance coverage, we agreed to reimburse Mr. Chessman for the actual cost of any such plans obtained privately for Mr. Chessman and his spouse. We have also agreed to (i) provide Mr. Chessman with a \$750 per month automobile allowance during the term of the employment agreement; and (ii) reimburse Mr. Chessman for any expenses that he incurs in connection with his duties under his employment agreement. Mr. Chessman will be entitled in each year to five weeks' paid vacation, in addition to weekends and statutory holidays, to be taken in installments of no more than two consecutive weeks of paid time off.

The initial term of the employment agreement is two years from the FC Effective Date and, on the second anniversary of the FC Effective Date and on each annual anniversary date thereafter, the term of the employment agreement will automatically be extended by one additional year unless either party gives 90 days' written notice to the other of its intention not to renew the employment agreement.

If, within 90 days of the occurrence of a change of control event, Mr. Chessman resigns from his employment relationship with our company or our company terminates his employment agreement for any reason other than for just cause and Mr. Chessman signs a broad-based general release in favor of our company (the "FC Release"), then we have agreed to pay Mr. Chessman severance in an amount equal to the 12 months' salary.

We may terminate Mr. Chessman's employment at any time for other than just cause by delivering to Mr. Chessman written notice of termination. In such a case, provided that Mr. Chessman signs the FC Release, we have agreed to pay Mr. Chessman severance in an amount equal to the 12 months' salary.

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

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

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

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

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

#### *Restricted Awards and Stock Options*

On April 3, 2020, we granted 20,000 stock options to Mr. Chessman under our 2018 Stock Option Plan. The stock options are exercisable at the exercise price of \$7.95 per share until April 2, 2030. The stock options vested as to 50% on the date of grant and 50% on the one-year anniversary of the date of grant.

On April 30, 2020, we granted an award of 6,667 shares of our common stock to Mr. Chessman. We granted these shares as "restricted awards" under our 2020 Equity Incentive Plan. These shares vested on the one-year anniversary of the grant date.

On March 31, 2021, we granted an award of 6,667 shares of our common stock to Mr. Chessman. We granted these shares as "restricted awards" under our 2020 Equity Incentive Plan. These shares vested on the one-year anniversary of the grant date.

On November 11, 2021, we granted an award of 20,000 shares of our common stock to Mr. Chessman. We granted these shares as "restricted awards" under our 2020 Equity Incentive Plan. These shares vested on January 15, 2022.

On August 23, 2022, we granted 33,333 stock options to Mr. Chessman. The stock options are exercisable at the exercise price of \$7.65 per share until August 23, 2032. The stock options vests as to 50% on each of the first and second one-year anniversary of the date of grant.

On November 16, 2022, we granted an award of 33,333 shares of our common stock to Mr. Chessman. We granted these shares as "restricted awards" under our 2020 Equity Incentive Plan. These shares vested as to 50% on the date of grant and 50% on the six-month anniversary of the date of grant.

On November 16, 2022, we granted 25,000 stock options to Mr. Chessman under our 2020 Equity Incentive Plan. The stock options are exercisable at the exercise price of \$3.75 per share until November 16, 2032. The stock options vest as to 50% on the one-year anniversary of the date of grant and 50% on the two-year anniversary of the date of grant.

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#### *David A. Guarino*

Prior to the entry into the employment agreement with David Guarino, effective as of October 1, 2022, we paid David A. Guarino \$14,000 per month for his services and a \$750 monthly car allowance.

On November 16, 2022, we entered into an employment agreement with Mr. Guarino, pursuant to which, as of the effective date of October 1, 2022 (the "DG Effective Date"), we have agreed to employ Mr. Guarino and Mr. Guarino has agreed to perform such duties as are regularly and customarily performed by the chief financial officer of a corporation, and any other duties consistent with Mr. Guarino's position in our company. Pursuant to the terms of the employment agreement, we have agreed to pay Mr. Guarino \$252,000 annually or such other amount as may be determined by our board of directors from time to time, commencing on the DG Effective Date.

In addition, during each of our fiscal years during the term of the employment agreement (beginning with the Fiscal 2023, Mr. Guarino will be eligible for the following annual bonuses: (i) up to 50% of Mr. Guarino's salary, with the exact amount of the bonus to be determined within 30 days of the end of each fiscal year by the compensation committee of our board of directors, based upon 90% of Mr. Guarino's performance during the immediately preceding fiscal year as measured by certain key performance indicators (the "KPIs"), and 10% upon the discretion of the compensation committee. During the term of the employment agreement, these KPIs (i) will be updated within 30 days of the end of each fiscal year, with the first update being April 30, 2023; and (ii) will be set and established in the sole discretion of the compensation committee of our board of directors. However, the KPIs for the Fiscal 2023 will be for the period from October 1, 2022 through March 31, 2023 due to Mr. Guarino's start date and transition time required.

In addition, Mr. Guarino will be entitled to participate in all of our employee benefit plans provided by our company to our senior officers. If we do not provide such plans at any time or if Mr. Guarino elects to remain on his current insurance coverage, we agreed to reimburse Mr. Guarino for the actual cost of any such plans obtained privately for Mr. Guarino and his spouse. We have also agreed to (i) provide Mr. Guarino with a \$750 per month automobile allowance during the term of the employment agreement; and (ii) reimburse Mr. Guarino for any expenses that he incurs in connection with his duties under his employment agreement. Mr. Guarino will be entitled in each year to five weeks' paid vacation, in addition to weekends and statutory holidays, to be taken in installments of no more than two consecutive weeks of paid time off.

The initial term of the employment agreement is two years from the DG Effective Date and, on the second anniversary of the DG Effective Date and on each annual anniversary date thereafter, the term of the employment agreement will automatically be extended by one additional year unless either party gives 90 days' written notice to the other of its intention not to renew the employment agreement.

If, within 90 days of the occurrence of a change of control event, Mr. Guarino resigns from his employment relationship with our company or our company terminates his employment agreement for any reason other than for just cause and Mr. Guarino signs a broad based general release in favor of our company (the "DG Release"), then we have agreed to pay Mr. Guarino severance in an amount equal to the 12 months' salary.

We may terminate Mr. Guarino's employment at any time for other than just cause by delivering to Mr. Guarino written notice of termination. In such a case, provided that Mr. Guarino signs the DG Release, we have agreed to pay Mr. Guarino severance in an amount equal to the 12 months' salary.

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

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

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

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

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

#### *Restricted Awards and Stock Options*

On April 3, 2020, we granted 10,000 stock options to Mr. Guarino. The stock options are exercisable at the exercise price of \$7.95 per share until April 2, 2030 and vested as to 50% on the date of grant and 50% on the one-year anniversary of the date of grant.

On April 30, 2020, we granted an award of 6,667 shares of our common stock to Mr. Guarino. We granted these shares as "restricted awards" under our 2020 Equity Incentive Plan. These shares vested on the one-year anniversary of the date of grant.

On March 31, 2021, we granted 13,333 stock options to Mr. Guarino. The stock options are exercisable at the exercise price of \$16.35 per share until March 31, 2031. The stock options vested as to 50% on the date of grant and 50% on the one-year anniversary of the date of grant.

On March 31, 2021, we granted an award of 6,667 shares of our common stock to Mr. Guarino. We granted these shares as "restricted awards" under our 2020 Equity Incentive Plan. These shares vested on the one-year anniversary of the date of grant.

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On November 11, 2021, we granted an award of 20,000 shares of our common stock to Mr. Guarino. We granted these shares as "restricted awards" under our 2020 Equity Incentive Plan. These shares vested on January 15, 2022.

On March 31, 2022, we granted an award of 6,667 shares of our common stock to Mr. Guarino. We granted these shares as "restricted awards" under our 2020 equity incentive plan. These shares were granted as a restricted award under the 2020 Equity Incentive Plan and issued on March 31, 2022 upon vesting.

On August 23, 2022, we granted 16,667 stock options to Mr. Guarino. The stock options are exercisable at the exercise price of \$7.65 per share until March 31, 2031. The stock options vest 50% on August 23, 2023 and 50% vest on August 23, 2024.

On November 16, 2022, we granted an award of 8,333 shares of our common stock to Mr. Guarino. We granted these shares as "restricted awards" under our 2020 equity incentive plan. These shares were granted as a restricted award under the 2020 Equity Incentive Plan and issued on November 16, 2022 upon vesting.

On November 16, 2022, we granted 6,667 stock options to Mr. Guarino. The stock options are exercisable at the exercise price of \$3.75 per share until March 31, 2031. The stock options vest 50% vest on November 16, 2023 and 50% vest on November 16, 2024.

#### *Frank Lazaran*

On July 29, 2022, we entered into an employment agreement with Frank Lazaran, our president, chief executive officer and director, pursuant to which, as of the effective date of June 3, 2022 (the "FL Effective Date"), we have agreed to employ Mr. Lazaran and Mr. Lazaran have agreed to perform such duties as are regularly and customarily performed by the president and chief executive officer of a corporation, and any other duties consistent with Mr. Lazaran's position in our company. Pursuant to the terms of the employment agreement, we agreed to pay Mr. Lazaran \$275,000 annually or such other amount as may be determined by our board of directors from time to time, commencing on the FG Effective Date. Effective February 20, 2023, Frank Lazaran resigned as our chief executive officer and president and our employment agreement with Mr. Lazaran was terminated.

In addition, Mr. Lazaran was entitled to participate in all of our employee benefit plans provided by our company to our senior officers. If we did not provide such plans at any time or if Mr. Lazaran elected to remain on his current insurance coverage, we agreed to reimburse Mr. Lazaran for the actual cost of any such plans obtained privately for Mr. Lazaran and his spouse. We also agreed to (i) provide Mr. Lazaran with a \$750 per month automobile allowance during the term of the employment agreement; and (ii) reimburse Mr. Lazaran for any expenses that he incurs in connection with his duties under his employment agreement. Mr. Lazaran was entitled in each year to five weeks' paid vacation, in addition to weekends and statutory holidays, to be taken in installments of no more than two consecutive weeks of paid time off.

#### *Restricted Awards and Stock Options*

On March 31, 2022, we granted an award of 1,667 shares of our common stock to Mr. Lazaran. We granted these shares as "restricted awards" under our 2020 equity incentive plan. These shares were granted as a restricted award under the 2020 Equity Incentive Plan and issued on March 31, 2022 upon vesting.

On April 20, 2022, we granted an award of 556 shares of our common stock to Mr. Lazaran. We granted these shares as "restricted awards" under our 2020 equity incentive plan. These shares were granted as a restricted award under the 2020 Equity Incentive Plan and issued on March 31, 2022 upon vesting.

On July 29, 2022, we granted an award of 33,333 shares of our common stock to Mr. Lazaran. We granted these shares as "restricted awards" under our 2020 equity incentive plan. These shares were granted as a restricted award under the 2020 Equity Incentive Plan and issued on July 29, 2022 upon vesting.

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On July 29, 2022, we granted 66,667 stock options to Mr. Lazaran. The stock options are exercisable at the exercise price of \$6.42 per share until March 31, 2031. The stock options vest 50% on July 29, 2023 and 50% vest on July 29, 2024.

On November 16, 2022, we granted an award of 16,667 shares of our common stock to Mr. Lazaran. We granted these shares as "restricted awards" under our 2020 equity incentive plan. These shares were granted as a restricted award under the 2020 Equity Incentive Plan and issued on November 16, 2022 upon vesting.

On November 16, 2022, we granted 11,667 stock options to Mr. Lazaran. The stock options are exercisable at the exercise price of \$3.75 per share until March 31, 2031. The stock options vest 50% on November 16, 2023 and 50% vest on November 16, 2024.

#### *Employment Agreement with Richard A. Wright*

On March 30, 2016, we entered into an employment agreement dated effective March 1, 2016 with Richard A. Wright, who was the vice-president, secretary, treasurer and director of our company at that time, pursuant to which Mr. Wright agreed to perform such duties as are regularly and customarily performed by the vice president, secretary and treasurer of a corporation, and any other duties consistent with Mr. Wright's position in our company. Pursuant to the terms of the employment agreement, we agreed to (i) pay Mr. Wright

\$14,000 per month or such other amount as may be determined by our board of directors from time to time; and (ii) issue to Mr. Wright 1,500,000 shares of our Series C Preferred Stock (issued effective as of March 31, 2016). We also agreed that each of the following events constitute a "Negotiated Trigger Event" as defined in the Certificate of Designation for the Series C Preferred Stock: (i) the occurrence of a change of control event; (ii) the death of Mr. Wright; and (iii) the termination of the employment agreement for any reason.

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

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

On April 3, 2020, we granted 16,667 stock options to Mr. Wright. The stock options are exercisable at the exercise price of \$7.95 per share until April 2, 2030 and vested as to 50% on the date of grant and 50% on the one-year anniversary of the date of grant.

On April 30, 2020, we granted an award of 13,333 shares of our common stock to Mr. Wright. We granted these shares as "restricted awards" under our 2020 equity incentive plan. These shares vested on the one-year anniversary of the date of grant.

On March 31, 2021, we granted 16,667 stock options to Mr. Wright. The stock options are exercisable at the exercise price of \$16.35 per share until March 31, 2031. The stock options vested as to 50% on the date of grant and 50% on the one-year anniversary of the date of grant.

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On March 31, 2021, we granted an award of 10,000 shares of our common stock to Mr. Wright. We granted these shares as "restricted awards" under our 2020 equity incentive plan. These shares vested on the one-year anniversary of the grant date.

On November 11, 2021, we granted an award of 26,667 shares of our common stock to Mr. Wright. We granted these shares as "restricted awards" under our 2020 equity incentive plan. These shares vested on January 15, 2022.

On April 25, 2022, we entered into a new employment agreement dated effective April 25, 2022 with Mr. Wright, pursuant to which Mr. Wright agreed to perform such duties as are regularly and customarily performed by the president and chief executive officer of a corporation, and any other duties consistent with Mr. Wright's position in our company. Pursuant to the terms of the employment agreement, we agreed to pay Mr. Wright \$275,000 annually or such other amount as may be determined by our board of directors from time to time.

In addition, Mr. Wright was entitled to participate in all of our employee benefit plans provided by our company to our senior officers. If we did not provide such plans at any time, we agreed to reimburse Mr. Wright for the reasonable cost of any such plans obtained privately. We also agreed to (i) provide Mr. Wright with a \$750 per month automobile allowance during the term of the employment agreement; and (ii) reimburse Mr. Wright for any expenses that he incurs in connection with his duties under his employment agreement. Mr. Wright was entitled in each year to five weeks' paid vacation, in addition to weekends and statutory holidays, to be taken in installments of no more than two consecutive weeks of paid time off.

On June 2, 2022, our company and its subsidiary entered into a Separation Agreement and Release of All Claims (the "**Separation Agreement**") with Mr. Wright.

The Separation Agreement provides, among other things, the following:

1. The parties agreed that Mr. Wright voluntarily resigned from his employment with our company effective as of June 2, 2022 (the "**Separation Date**") and resigned from any and all director and officer positions that he held with our company and its subsidiaries;

2. We agreed with Mr. Wright that Mr. Wright's employment with our company ended effective as of the Separation Date and the employment agreement dated April 25, 2022 with Mr. Wright is of no further force and effect as of the Separation Date except for certain sections of the employment agreement, including the extension of the non-competition provision of the employment agreement by one year to a total of two years so long as Mr. Wright is receiving, or has received in the event of a "Change of Control" (as defined below), the severance benefits described in paragraph 3 below;

3. Provided that Mr. Wright does not revoke the Separation Agreement as provided in the Separation Agreement, we agreed to pay Mr. Wright the total severance sum of \$550,000.08 payable as follows: (1) a single payment of \$275,000.04 (the "**Lump Sum Payment**") less all applicable deductions and withholdings payable within three days after the conclusion of the revocation period described in the Separation Agreement; and (2) 24 full months of severance (the "**Severance Period**") at the rate of \$11,458.33 per month (each, a "**Monthly Separation Payment**"). The Monthly Separation Payments will be less all applicable deductions and withholdings. The Monthly Separation Payments for the Severance Period began July 5, 2022 (the first pay period pay date following the expiration of the revocation period provided in the Separation Agreement). The Monthly Separation Payments will be paid ratably pursuant to our current and normal payroll cycle. Notwithstanding the foregoing, in the event our company is sold or undergoes a Change of Control prior to the end of the Severance Period, we agreed that the balance of the unpaid amounts will be paid in a lump sum within five days of the Change of Control. A "Change of Control" means a sale of substantially all of our assets or a sale of 50% or more of stock;

4. We agreed to reimburse Mr. Wright for his legal expenses in connection with the preparation and negotiation of the Separation Agreement up to a maximum of \$25,000;

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Aaron Keay <sup>(9)</sup>	30,000 <sup>(2)</sup>	187,500 <sup>(1)</sup>	Nil	Nil	Nil	Nil	217,500
Brian Sudano	Nil	25,000 <sup>(3)</sup>	45,000 <sup>(4)</sup>	Nil	Nil	Nil	70,000
David Rauch <sup>(10)</sup>	Nil	25,000 <sup>(5)</sup>	22,000 <sup>(6)</sup>	Nil	Nil	Nil	47,000
Ronald DaVella <sup>(11)</sup>	Nil	16,000 <sup>(7)</sup>	16,000 <sup>(8)</sup>	Nil	Nil	Nil	32,000

**Note:**

- (1) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 750,000 pre-split shares of our common stock as "restricted awards" effective November 16, 2022 (valued at \$187,500).
- (2) Consists of director fees.
- (3) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 100,000 pre-split shares of our common stock as "restricted awards" effective November 16, 2022 (valued at \$25,000).
- (4) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 100,000 pre-split option awards effective August 23, 2022 (valued at \$45,000).
- (5) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 100,000 pre-split shares of our common stock as "restricted awards" effective November 16, 2022 (valued at \$25,000).
- (6) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 100,000 pre-split option awards effective November 16, 2022 (valued at \$25,000).
- (7) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 100,000 pre-split shares of our common stock as "restricted awards" effective March 29, 2023 (valued at \$16,000).
- (8) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. Reflects the issuance of 100,000 pre-split option awards effective March 29, 2023 (valued at \$16,000).
- (9) Effective March 13, 2023, Aaron Keay resigned as a director of our company and Chairman of our board of directors.
- (10) On November 16, 2022, we appointed David Rauch as a director of our company.
- (11) On March 17, 2023, we appointed Ronald DaVella as a director of our company.

On August 23, 2022, we granted stock options to purchase an aggregate of 6,667 shares to Brian Sudano, a director of our company. 3,333 of these options will vest on August 23, 2023 and 3,334 of these options will vest on August 23, 2024.

On November 16, 2022, we granted an award of 50,000 shares to Aaron Keay, a former director of our company. 25,000 of these shares vested immediately on November 16, 2022 and 25,000 of these shares vested on May 16, 2023. We granted these shares as "restricted awards" under our 2020 equity incentive plan.

On November 16, 2022, we granted an award of 6,667 shares to Brian Sudano, a director of our company. 3,333 of these shares vested immediately on November 16, 2022 and 3,334 of these shares vested on May 16, 2023. We granted these shares as "restricted awards" under our 2020 equity incentive plan.

On November 16, 2022, we granted an award of 6,667 shares to David Rauch, a director of our company. 3,333 of these shares vested on May 16, 2023 and 3,334 of these shares will vest on November 16, 2023. We granted these shares as "restricted awards" under our 2020 equity incentive plan.

On November 16, 2022, we granted stock options to purchase an aggregate of 6,667 shares to David Rauch, a director of our company. 3,333 of these options will vest on November 16, 2023 and 3,334 of these options will vest on November 16, 2024.

On March 29, 2023, we granted an award of 6,667 shares to Ronald DaVella, a director of our company. 3,333 of these shares will vest on September 29, 2023 and 3,334 of these shares will vest on March 29, 2024. We granted these shares as "restricted awards" under our 2020 equity incentive plan.

On March 29, 2023, we granted stock options to purchase an aggregate of 6,667 shares to Ronald DaVella, a director of our company. 3,333 of these options will vest on March 29, 2024 and 3,334 of these options will vest on March 29, 2025.

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

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

The following table sets forth, as of August 15, 2023, certain information with respect to the beneficial ownership of our common stock by each stockholder known by us to be the beneficial owner of more than 5% of any class of our voting securities and by each of our directors and our named executive officers (as defined in the "Executive Compensation") and by our current executive officers and directors as a group.

Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership <sup>(1)</sup>	Percentage of Class <sup>(2)</sup>
Frank Chessman	Common Stock	136,399 <sup>(3)</sup>	1.3%
David A. Guarino	Common Stock	208,952 <sup>(4)</sup>	2.0%
Frank Lazaran	Common Stock	126,331 <sup>(5)</sup>	1.2%
Brian Sudano	Common Stock	26,665 <sup>(6)</sup>	*
Ronald DaVella	Common Stock	Nil	*
David Rauch	Common Stock	48,666 <sup>(7)</sup>	*
Richard A. Wright	Common Stock	326,667 <sup>(8)</sup>	3.1%
<b>All executive officers and directors as a group (6 persons)</b>	<b>Common Stock</b>	<b>547,013<sup>(9)</sup></b>	<b>5.2%</b>

\* Less than 1%.

- (1) Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Common stock subject to options or warrants currently exercisable or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage ownership of the person holding such option or warrants but are not deemed outstanding for purposes of computing the percentage ownership of any other person.

- (2) Percentage of common stock is based on 10,395,805 shares of our common stock issued and outstanding as of August 15, 2023.

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- (3) Includes 83,066 stock options exercisable within 60 days.
  - (4) Includes 31,666 stock options exercisable within 60 days.
  - (5) Includes 43,332 stock options exercisable within 60 days and warrants to purchase 3,333 shares of our common stock.
  - (6) Includes 13,332 stock options exercisable within 60 days.
  - (7) Consists of 3,333 shares of our common stock held directly, 5,334 shares of our common stock held by David and Julie Rauch Trust, 26,666 shares of our common stock that may be issued upon conversion of shares of our Series E Preferred Stock held by David and Julie Rauch Trust and 13,333 shares of our common stock that may be issued upon exercise of common stock purchase warrants that may be issued upon conversion of shares of our Series E Preferred Stock held by David and Julie Rauch Trust. To our knowledge, David Rauch and Julie Rauch are the only trustees and the only beneficiaries of David and Julie Rauch Trust. David Rauch has been a director of our company since November 16, 2022. Julie Rauch is the spouse of David Rauch.
  - (8) Includes 33,333 stock options exercisable within 60 days.
  - (9) Includes 171,396 stock options exercisable within 60 days, warrants to purchase 3,333 shares of our common stock, 26,666 shares of our common stock that may be issued upon conversion of shares of our Series E Preferred Stock and 13,333 shares of our common stock that may be issued upon exercise of common stock purchase warrants that may be issued upon conversion of shares of our Series E Preferred Stock.

**Changes in Control**

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

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

Other than as disclosed below, there has been no transaction, since April 1, 2021, or currently proposed transaction, in which our company was or is to be a participant and the amount involved exceeds \$120,000, being the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years, and in which any of the following persons had or will have a direct or indirect material interest:

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

On July 6, 2021, we issued 1,000,000 subscription receipts to Klutch Financial Corp., a company wholly owned by Aaron Keay, our director and chairman, at a price of \$1.05 per subscription receipt for total gross proceeds of \$1,050,000 pursuant to a private placement of our company completed on July 6, 2021. On September 30, 2021, we issued 1,000,000 units of our company upon conversion of these subscription receipts. Each unit consisted of one share of our common stock and one transferable share purchase warrant. Each warrant entitles the holder thereof to acquire one share of our common stock until July 6, 2024 at a price of \$1.25 per share. The conversion of the subscription receipts was the result of our company satisfying the escrow release condition, which was the receipt by our company of an ordinary resolution of our stockholders approving the private placement and the issuance of the securities thereunder.

### Compensation for Named Executive Officers and Directors

On November 11, 2021, we granted an award of 3,333 shares of our common stock to Brian Sudano, a director of our company. These shares vested on January 15, 2022. On November 11, 2021, we granted an award of 26,667 shares of our common stock to Aaron Keay, a former director of our company. These shares vested on January 15, 2022. We granted these shares as "restricted awards" under our 2020 equity incentive plan.

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

### Director Independence

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

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

### Audit Fees

The following table sets forth the fees billed to our company for the years ended March 31, 2023 and 2022 for professional services rendered by Prager Metis CPAs, LLC:

Fees	2023	2022
Audit Fees	\$248,140	135,000
Audit Related Fees	6,500	-
Tax Fees		
Other Fees		39,265

Other fees for the years ended March 31, 2023 and 2022 were for quarterly reviews, consents for registration statements and comfort letters.

### Pre-Approval Policies and Procedures

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

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

## PART IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description
(3)	Articles of Incorporation and Bylaws
3.1	<a href="#">Articles of Incorporation (incorporated by reference from our Form S-1 Registration Statement, filed on October 28, 2011)</a>
3.2	<a href="#">Certificate of Change (incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2013)</a>
3.3	<a href="#">Articles of Merger (incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2013)</a>
3.4	<a href="#">Certificate of Amendment to Articles of Incorporation (incorporated by reference from our Current Report on Form 8-K, filed on October 11, 2013)</a>
3.5	<a href="#">Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on October 11, 2013)</a>
3.6	<a href="#">Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on November 12, 2013)</a>
3.7	<a href="#">Certificate of Change (incorporated by reference from our Current Report on Form 8-K, filed on December 30, 2015)</a>
3.8	<a href="#">Certificate of Amendment to Articles of Incorporation (incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016)</a>
3.9	<a href="#">Certificate of Amendment to Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016)</a>
3.10	<a href="#">Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on April 5, 2016)</a>
3.11	<a href="#">Certificate of Withdrawal of Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on April 4, 2017)</a>
3.12	<a href="#">Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on May 4, 2017)</a>
3.13	<a href="#">Certificate of Amendment to Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on November 6, 2017)</a>
3.14	<a href="#">Certificate of Withdrawal of Certificate of Designation (incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 20, 2017)</a>

3.15	<a href="#">Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on May 19, 2021)</a>
3.16	<a href="#">Certificate of Designation (incorporated by reference from our Current Report on Form 8-K, filed on November 23, 2022)</a>
3.17	<a href="#">Certificate of Change (incorporated by reference from our Current Report on Form 8-K, filed on April 5, 2023)</a>
3.18	<a href="#">Amended and Restated Bylaws (incorporated by reference from our Current Report on Form 8-K, filed on October 15, 2018)</a>
<b>(10)</b>	<b>Material Contracts</b>
10.1	<a href="#">Contract Packer Agreement dated November 14, 2012 between Alkaline 84, LLC and AZ Bottled Water, LLC (incorporated by reference from our Current Report on Form 8-K, filed on June 5, 2013)</a>
10.2	<a href="#">Contract Packer Agreement dated October 7, 2013 with White Water, LLC (incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 13, 2013)</a>
10.3	<a href="#">Manufacturing Agreement dated August 15, 2013 with Water Engineering Solutions, LLC (incorporated by reference from our Registration Statement on Form S-1, filed on November 27, 2013)</a>
10.4	<a href="#">Equipment Lease Agreement dated January 17, 2014 (incorporated by reference from our Current Report on Form 8-K, filed on January 27, 2014)</a>
10.5	<a href="#">Revolving Accounts Receivable Funding Agreement dated February 20, 2014 (incorporated by reference from our Current Report on Form 8-K, filed on February 25, 2014)</a>
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10.6	<a href="#">Form of Securities Purchase Agreement dated as of April 28, 2014, between The Alkaline Water Company Inc. and the purchasers named therein (incorporated by reference from our Current Report on Form 8-K, filed on May 6, 2014)</a>
10.7	<a href="#">Form of Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on May 6, 2014)</a>
10.8	<a href="#">Form of Placement Agent Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on May 6, 2014)</a>
10.9	<a href="#">Amendment #1 dated February 12, 2014 to Equipment Lease Agreement (incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2014)</a>
10.10	<a href="#">Equipment Sale/Lease Back Agreement dated April 2, 2014 (incorporated by reference from our Quarterly Report on Form 10-Q, filed on August 13, 2014)</a>
10.11	<a href="#">Agreement dated August 12, 2014 with H.C. Wainwright &amp; Co., LLC (incorporated by reference from our Current Report on Form 8-K, filed on August 21, 2014)</a>
10.12	<a href="#">Form of Warrant Amendment Agreement (incorporated by reference from our Current Report on Form 8-K, filed on August 21, 2014)</a>
10.13	<a href="#">Form of Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on August 21, 2014)</a>
10.14	<a href="#">Form of Warrant Amendment Agreement (incorporated by reference from our Current Report on Form 8-K, filed on October 9, 2014)</a>
10.15	<a href="#">Form of Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on October 9, 2014)</a>
10.16	<a href="#">Master Lease Agreement dated October 28, 2014 with Veterans Capital Fund, LLC (incorporated by reference from our Current Report on Form 8-K, filed on November 4, 2014)</a>
10.17	<a href="#">Warrant Agreement dated October 28, 2014 with Veterans Capital Fund, LLC (incorporated by reference from our Current Report on Form 8-K, filed on November 4, 2014)</a>
10.18	<a href="#">Registration Rights Agreement dated October 28, 2014 with Veterans Capital Fund, LLC (incorporated by reference from our Current Report on Form 8-K, filed on November 4, 2014)</a>
10.19	<a href="#">Form of Amending Agreement to Stock Option Agreement (incorporated by reference from our Current Report on Form 8-K, filed on November 4, 2014)</a>
10.20	<a href="#">Securities Purchase Agreement dated as of May 11, 2015 with Assurance Funding Solutions LLC (incorporated by reference from our Annual Report on Form 10-K, filed on July 14, 2015)</a>
10.21	<a href="#">Secured Term Note dated May 2015 issued to Assurance Funding Solutions LLC (incorporated by reference from our Annual Report on Form 10-K, filed on July 14, 2015)</a>
10.22	<a href="#">General Security Agreement dated as of May 11, 2015 with Assurance Funding Solutions LLC (incorporated by reference from our Annual Report on Form 10-K, filed on July 14, 2015)</a>
10.23	<a href="#">Securities Purchase Agreement dated as of August 20, 2015 with Assurance Funding Solutions LLC (incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 23, 2015)</a>
10.24	<a href="#">Secured Term Note dated August 20, 2015 issued to Assurance Funding Solutions LLC (incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 23, 2015)</a>
10.25	<a href="#">General Security Agreement dated as of August 20, 2015 with Assurance Funding Solutions LLC (incorporated by reference from our Quarterly Report on Form 10-Q, filed on November 23, 2015)</a>
10.26	<a href="#">Loan Agreement dated November 30, 2015 with Neil Rogers (incorporated by reference from our Current Report on Form 8-K, filed on December 4, 2015)</a>
10.27	<a href="#">Promissory Note dated November 30, 2015 issued to Neil Rogers (incorporated by reference from our Current Report on Form 8-K, filed on December 4, 2015)</a>
10.28	<a href="#">Escrow Agreement dated November 30, 2015 with Neil Rogers and Escrow Agent (incorporated by reference from our Current Report on Form 8-K, filed on December 4, 2015)</a>
10.29	<a href="#">2013 Equity Incentive Plan (incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016)</a>
10.30	<a href="#">Loan Agreement dated January 25, 2016 with Turnstone Capital Inc. (incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016)</a>
10.31	<a href="#">Promissory Note dated January 25, 2016 issued to Turnstone Capital Inc. (incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016)</a>
10.32	<a href="#">Escrow Agreement dated January 25, 2016 with Turnstone Capital Inc. and Escrow Agent (incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016)</a>
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10.33	<a href="#">Amendment Agreement dated January 25, 2016 with Neil Rogers (incorporated by reference from our Current Report on Form 8-K, filed on January 25, 2016)</a>
10.34	<a href="#">Employment Agreement dated effective March 1, 2016 with Steven P. Nickolas (incorporated by reference from our Current Report on Form 8-K, filed on April 5, 2016)</a>
10.35	<a href="#">Employment Agreement dated effective March 1, 2016 with Richard A. Wright (incorporated by reference from our Current Report on Form 8-K, filed on April 5, 2016)</a>
10.36	<a href="#">Form of Promissory Note and Warrant Exchange Agreement (incorporated by reference from our Current Report on Form 8-K, filed on June 16, 2016)</a>
10.37	<a href="#">Loan Facility Agreement dated September 20, 2016 with Turnstone Capital Inc. (incorporated by reference from our Current Report on Form 8-K, filed on September 22, 2016)</a>
10.38	<a href="#">Credit and Security Agreement dated February 1, 2017 with SCM Specialty Finance Opportunities Fund, L.P. (incorporated by reference from our Current Report on Form 8-K, filed on February 7, 2017)</a>
10.39	<a href="#">Payoff Agreement dated February 1, 2017 with Gibraltar Business Capital, LLC (incorporated by reference from our Current Report on Form 8-K, filed on February 7, 2017)</a>
10.40	<a href="#">Form of Stock Option Agreement (incorporated by reference from our Current Report on Form 8-K, filed on May 4, 2017)</a>
10.41	<a href="#">Settlement Agreement and Mutual Release of Claims dated October 31, 2017 with Steven P. Nickolas, Nickolas Family Trust, Water Engineering Solutions, LLC, Enhanced Beverages, LLC, McDowell 78, LLC and Wright Investments Group, LLC (incorporated by reference from our Current Report on Form 8-K, filed on November 6, 2017)</a>
10.42	<a href="#">Exchange Agreement and Mutual Release of Claims dated November 8, 2017 with Ricky Wright (incorporated by reference from our Current Report on Form 8-K, filed on November 14, 2017)</a>
10.43	<a href="#">Stock Option Forfeiture &amp; General Release dated November 8, 2017 by Ricky Wright and Sharon Wright (incorporated by reference from our Current Report on Form 8-K, filed on November 14, 2017)</a>
10.44	<a href="#">Form of Warrant Amendment Agreement (incorporated by reference from our Current Report on Form 8-K, filed on February 22, 2018)</a>
10.45	<a href="#">Form of Common Stock Purchase Warrant (incorporated by reference from our Current Report on Form 8-K, filed on March 5, 2018)</a>
10.46	<a href="#">2018 Stock Option Plan (incorporated by reference from our Current Report on Form 8-K, filed on April 25, 2018)</a>

<a href="#">10.47</a>	<a href="#">Form of Subscription Agreement (incorporated by reference from our Current Report on Form 8-K filed on May 31, 2018)</a>
<a href="#">10.48</a>	<a href="#">Form of Subscription Agreement (incorporated by reference from our Current Report on Form 8-K filed on October 3, 2018)</a>
<a href="#">10.49</a>	<a href="#">Underwriting Agreement, dated March 8, 2019, by and between The Alkaline Water Company Inc. and Canaccord Genuity LLC, as representative of the underwriters named therein (incorporated by reference from our Current Report on Form 8-K, filed on March 11, 2019)</a>
<a href="#">10.50</a>	<a href="#">Employment Agreement dated April 25, 2019 with Ronald DaVella (incorporated by reference from our Current Report on Form 8-K filed on May 3, 2019)</a>
<a href="#">10.51</a>	<a href="#">Sixth Amendment to Credit and Security Agreement dated June 27, 2019 with CNH Finance Fund I, L.P. (incorporated by reference from our Annual Report on Form 10-K filed on July 1, 2019)</a>
<a href="#">10.52</a>	<a href="#">Agreement and Plan of Merger, dated as of September 9, 2019 among The Alkaline Water Company Inc., AQUAhydrate, Inc. and AWC Acquisition Company Inc. (incorporated by reference from our Current Report on Form 8-K filed on September 12, 2019)</a>
<a href="#">10.53</a>	<a href="#">Amendment to the Agreement and Plan of Merger, dated as of October 31, 2019 among The Alkaline Water Company Inc., AQUAhydrate, Inc. and AWC Acquisition Company Inc. (incorporated by reference from our Current Report on Form 8-K filed on November 6, 2019)</a>
<a href="#">10.54</a>	<a href="#">Form of Subscription Agreement (incorporated by reference from our Current Report on Form 8-K filed on April 20, 2020)</a>
<a href="#">10.55</a>	<a href="#">2020 Equity Incentive Plan (incorporated by reference from our Current Report on Form 8-K filed on April 28, 2020)</a>
<a href="#">10.56</a>	<a href="#">Form of Subscription Agreement (incorporated by reference from our Current Report on Form 8-K filed on May 13, 2020)</a>

<a href="#">10.57</a>	<a href="#">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)</a>
<a href="#">10.58</a>	<a href="#">Form of Subscription Agreement (incorporated by reference from our Current Report on Form 8-K filed on March 2, 2021)</a>
<a href="#">10.59</a>	<a href="#">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)</a>
<a href="#">10.60</a>	<a href="#">Form of Subscription Agreement (incorporated by reference from our Current Report on Form 8-K filed on July 6, 2021)</a>
<a href="#">10.61</a>	<a href="#">Employment Agreement dated effective April 25, 2022 with Richard A. Wright (incorporated by reference from our Current Report on Form 8-K filed on April 29, 2022)</a>
<a href="#">10.62**</a>	<a href="#">Underwriting Agreement, dated May 4, 2022, between The Alkaline Water Company Inc. and Aegis Capital Corp. (incorporated by reference from our Current Report on Form 8-K filed on May 6, 2022)</a>
<a href="#">10.63</a>	<a href="#">Separation Agreement &amp; Release of All Claims dated June 2, 2022 by and between Richard Wright, The Alkaline Water Company Inc. and Alkaline 88, LLC (incorporated by reference from our Current Report on Form 8-K filed on June 2, 2022)</a>
<a href="#">10.64</a>	<a href="#">Employment Agreement dated July 29, 2022 with Frank Lazaran (incorporated by reference from our Quarterly Report on Form 10-Q filed on August 15, 2022)</a>
<a href="#">10.65</a>	<a href="#">Employment Agreement dated as of November 16, 2022 with David Guarino (incorporated by reference from our Current Report on Form 8-K filed on November 17, 2022)</a>
<a href="#">10.66</a>	<a href="#">Employment Agreement dated as of November 16, 2022 with Frank Chessman (incorporated by reference from our Quarterly Report on Form 10-Q filed on February 28, 2023)</a>
<b>(14)</b>	<b>Code of Ethics</b>
<a href="#">14.1</a>	<a href="#">Code of Ethics and Business Conduct (incorporated by reference from our Annual Report on Form 10-K filed on July 14, 2022)</a>
<b>(21)</b>	<b>Subsidiaries</b>
21.1*	Subsidiaries of The Alkaline Water Company Inc. Alkaline 88, LLC, an Arizona limited liability company
<b>(23)</b>	<b>Consents of Experts and Counsel</b>
<a href="#">23.1*</a>	<a href="#">Consent of Prager Metis CPAs, LLC</a>
<b>(31)</b>	<b>Rule 13a-14 Certifications</b>
<a href="#">31.1*</a>	<a href="#">Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002</a>
<a href="#">31.2*</a>	<a href="#">Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002</a>
(32)	Section 1350 Certifications
<a href="#">32.1*</a>	<a href="#">Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002</a>
<a href="#">32.2*</a>	<a href="#">Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002</a>
<b>(101)</b>	<b>Interactive Data File</b>
101.INS*	Inline 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
<a href="#">101.SCH*</a>	<a href="#">Inline XBRL Taxonomy Extension Calculation Linkbase Document</a>
<a href="#">101.CAL*</a>	<a href="#">Inline XBRL Taxonomy Extension Calculation Linkbase Document</a>
<a href="#">101.DEF*</a>	<a href="#">Inline XBRL Taxonomy Extension Definition Linkbase Document</a>
<a href="#">101.LAB*</a>	<a href="#">Inline XBRL Taxonomy Extension Label Linkbase Document</a>
<a href="#">101.PRE*</a>	<a href="#">Inline XBRL Taxonomy Extension Presentation Linkbase Document</a>
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\*Filed herewith.

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

#### ITEM 16. FORM 10-K SUMMARY

None.

#### SIGNATURES

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

**The Alkaline Water Company Inc.**

By: /s/ Frank Chessman

Frank Chessman  
President and Chief Executive Officer  
(Principal Executive Officer)  
Date: August 16, 2023

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

By: /s/ Frank Chessman

Frank Chessman  
President and Chief Executive Officer  
(Principal Executive Officer)  
Date: August 16, 2023

By: */s/ David A. Guarino*

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David A. Guarino  
Chief Financial Officer, Treasurer and Director  
(Principal Financial Officer and Principal Accounting  
Officer)  
Date: August 16, 2023

By: */s/ Frank Lazaran*

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Frank Lazaran  
Director  
Date: August 16, 2023

By: */s/ Brian Sudano*

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Brian Sudano  
Director  
Date: August 16, 2023

By: */s/ David Rauch*

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David Rauch  
Director  
Date: August 16, 2023

By: */s/ Ronald DaVella*

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Ronald DaVella  
Director  
Date: August 16, 2023

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos.333-269044, 333-266714, 333-264079, 333-262683, 333-259625, 333-254677, 333-238741, 333-233899, 333-231432, 333-229203 and 333-229428) and the Registration Statement on Form S-8 (No. 333-269042) of our report dated August 16, 2023 (which report expresses an unqualified opinion and includes an explanatory paragraph related to The Alkaline Water Company Inc.'s ability to continue as a going concern), relating to our audit of the consolidated financial statements of The Alkaline Water Company Inc. appearing in this Annual Report on Form 10-K for the year ended March 31, 2023.

*/s/ Prager Metis CPAs, LLC*

Basking Ridge, New Jersey

August 16, 2023

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

I, Frank Chessman, certify that:

1. I have reviewed this annual report on Form 10-K 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.

August 16, 2023

/s/ Frank Chessman

Frank Chessman  
President and Chief Executive Officer  
(Principal Executive Officer)

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

I, David A. Guarino, certify that:

1. I have reviewed this annual report on Form 10-K 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.

August 16, 2023

/s/ David A. Guarino

David A. Guarino

Chief Financial Officer, Treasurer and Director

(Principal Financial Officer and Principal Accounting Officer)

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

The undersigned, Frank Chessman, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the annual report on Form 10-K of The Alkaline Water Company Inc. for the year ended March 31, 2023 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-K fairly presents, in all material respects, the financial condition and results of operations of The Alkaline Water Company Inc.

August 16, 2023

*/s/ Frank Chessman*  
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Frank Chessman  
President and Chief Executive Officer  
(Principal Executive Officer)

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

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

1. the annual report on Form 10-K of The Alkaline Water Company Inc. for the year ended March 31, 2023 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-K fairly presents, in all material respects, the financial condition and results of operations of The Alkaline Water Company Inc.

August 16, 2023

*/s/ David A. Guarino*

David A. Guarino

Chief Financial Officer, Treasurer and Director

(Principal Financial Officer and Principal Accounting Officer)

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