WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014
(UNAUDITED)

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WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of September 30, 2014 and December 31, 2013
(Unaudited)

ASSETS		
	September 30, 2014	December 31, 2013
CURRENT ASSETS		
Cash and cash equivalents	$ 3,450	$ 15,512
Inventory	39,927	39,927
Other receivable	5,000	5,000
TOTAL CURRNET ASSETS	48,377	60,439
INTANGIBLE ASSETS		
Trademark, net of amortization	10,000	10,000
Patent, net of amortization	85,041	75,518
NET INTANGIBLE ASSETS	95,041	85,518
TOTAL ASSETS	$ 143,418	$ 145,957
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 17,934	$ 17,934
Notes payable	55,000	62,044
Accrued officer compensation	14,635	17,044
Due to third parties	5,000	5,000
Customer deposits	15,692	15,692
Other payables and accrued expenses	49,690	36,933
Preferred stock to be issued	15,000	-
TOTAL CURRENT LIABILITIES	172,951	154,647
TOTAL LIABILITIES	$ 172,951	$ 154,647
STOCKHOLDERS' (DEFICIT)		
Preferred stock (par value $.00001, 2,000,000 shares authorized, of which 1,170,000 and 690,000 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively)	12	7
Common stock (par value $.00001, 750,000,000 shares authorized, of which 178,410,372 and 141,910,372 shares issued and outstanding as of September 30, 2014 and December 31, 2013 , respectively)	1,784	1,419
Additional paid in capital	8,618,098	2,578,469
Deferred compensation	(49,271)	(80,295)
Deferred expenses	(5,225,000)	
Subscription receivable	(500,000)	
Retained earnings (deficit)	(2,875,156)	(2,508,290)
TOTAL STOCKHOLDERS' (DEFICIT)	(29,533)	(8,690)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	$ 143,418	$ 145,957

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

WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2014 and 2013
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenues				
Sales	$ -	$ -	$ 36,223	$ 20,603
Cost of sales	-	-	20,623	65,765
Gross profit	-	-	15,600	(45,162)
Operating expenses				
Selling General and Administrative	59,738	72,332	205,559	171,832
Stock based compensation	72,264	97,326	166,024	477,877
Research and development expenses	7,212	54,470	7,212	63,420
Total operating expenses	139,214	224,128	378,795	713,129
Income (Loss) from Operations	(139,214)	(224,128)	(363,195)	(758,291)
Other income (expenses)				
Interest expenses	(1,467)	(1,653)	(2,368)	(3,727)
Loss on extinguishment of convertible debt	-	-	(1,303)	-
Total other income (loss)	(1,467)	(1,653)	(3,671)	(3,727)
Income (loss) before income taxes	(140,681)	(225,781)	(366,866)	(762,018)
Income taxes	-	-	-	-
Net Income (Loss)	$ (140,681)	$ (225,781)	$ (366,866)	$ (762,018)
Earnings (loss) per share				
Basic	**	**	**	$ (0.01)
Weighted average number of shares outstanding				
Basic	176,564,218	128,393,888	168,591,691	112,814,048

** Less than $.01

The accompanying notes are an integral part of the financial statements

WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2014 and 2013
(Unaudited)

	For the Nine Months Ended September 30, 2014	For the Nine Months Ended September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (366,866)	$ (762,018)
Adjustments to reconcile net income (loss) to net cash (used in) operating activities:		
Loss on extinguishment of convertible debt	1,303	-
Amortization expenses - patents	1,184	-
Common stock issued for interest	6,653	-
Common stock issued for services	166,024	477,877
Changes in operating assets and liabilities:		
Inventory	-	(3,987)
Prepayments and deposits	-	47,544
Accounts payable	-	17,934
Interest payable	1,421	3,719
Accrued officer compensation	(2,409)	17,390
Custoner deposits	-	7,250
Other payables and accrued expenses	11,336	24,870
NET CASH (USED IN) OPERATING ACTIVITIES	(181,354)	(169,421)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of patent	(10,708)	(28,060)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(10,708)	(28,060)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable - related parties		350
(Payments on) notes payable - related parties	-	(21,167)
Proceeds from notes payable	55,000	
Proceeds from issuance of shares	125,000	213,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	180,000	192,183
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,062)	(5,298)
CASH AND CASH EQUIVALENTS:		
Beginning of period	15,512	5,375
End of period	$ 3,450	$ 77
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -
Non-cash transactions:		
Preferred stock issued to settle accrued officer compensation	$ -	$ 75,000
Common stock issued for settlement of notes payable	$ 62,044	$ -
Common stock issued for services	$ 166,024	$ 477,878
Common stock issued for interest	$ 6,653	$ -

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

WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statement of Equity (Deficit)
For the Years Ended December 31, 2013 and 2012, and for the Nine Months Ended September 30, 2014
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in	Deferred	Deferred	Subscription	Retained	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Compensation	Expenses	Receivable	Earnings (Deficit)	(Deficit)
Proceeds from sales of shares	-	-	11,128,000	111	195,989					196,100
Common stock issued for services	-	-	21,250,000	213	882,788	(396,278)				486,722
Common stock issued for convertible note	-	-	1,919,088	19	27,981					28,000
Preferred stock issued for services	360,000	4	-	-	134,996	(9,260)				125,740
Common stock issued for debt settlement	-	-	6,500,000	65	62,747					62,812
Intrinsic value of conversion option					22,000					22,000
Net (loss)									(795,927)	(795,927)
Balance, December 31, 2012	360,000	$ 4	103,610,372	$ 1,036	$ 2,025,855	$ (462,205)			$ (1,610,308)	$ (45,618)
Proceeds from sales of preferred shares	90,000	1	-	-	44,999					45,000
Proceeds from sales of common shares	-	-	16,800,000	168	167,832					168,000
Preferred stock issued for services	90,000	1	-	-	44,999	(3,446)				41,554
Preferred stock issued to settle accrued compensation	150,000	2	-	-	74,998	-				75,000
Common stock issued for services	-	-	11,500,000	115	144,885	385,356				530,356
Proceeds from sales of common shares	-	-	10,000,000	100	74,900					75,000
Net (loss)									(897,982)	(897,982)
Balance, December 31, 2013	690,000	$ 7	141,910,372	$ 1,419	$ 2,578,468	$ (80,295)			$ (2,508,290)	$ (8,690)
Preferred stock conversion	(150,000)	(2)	15,000,000	150	(148)					-
Preferred stock issued for services	350,000	4	-	-	224,996	(48,422)	(125,000)			51,578
Preferred stock issued for cash and services	280,000	3			5,599,997		(5,100,000)	(500,000)		-
Common stock issued for services	-	-				79,446				79,446
Common stock issued for cash and services	-	-	4,000,000	40	39,960					40,000
Common stock issued for note conversion	-	-	7,000,000	70	69,930					70,000
Proceeds from sales of common shares	-	-	10,500,000	105	104,895					105,000
Net (loss)									(366,866)	(366,866)
Balance, September 30, 2014	1,170,000	$ 12	178,410,372	$ 1,784	$ 8,618,098	$ (49,271)	$ (5,225,000)	$ (500,000)	$ (2,875,156)	$ (29,533)

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

WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014
(UNAUDITED)

NOTE－1 ORGANIZATION AND BUSINESS BACKGROUND

Water Technologies International Inc. (the "Company") was originally incorporated in the State of Delaware, on November 18, 1998, as Cypress International, Inc. On August 10, 2005, the Company was re-domesticated to the State of Florida by merger with "Latitude Industries, Inc.", a Florida corporation incorporated on August 2, 2005, and commenced the operation under the name of Latitude Industries Inc. On May 19, 2011, the Company changed its name to Water Technologies International Inc.

On May 5, 2011, the Company entered into a Plan of Exchange agreement (the "Plan of Exchange") between and among the Company, GR8 Water Inc. ("GR8"), a Florida Corporation, the shareholders of GR8 ("GR8 Shareholders") and Ms. Carolina Hernandez and Mr. Orlando Hernandez, the Majority Shareholders of the Company. Pursuant to the Plan of Exchange, the Company acquired 26,100,000 shares of GR8 Common Stock, representing 100% ownership in GR8, in exchange for a new issuance of 29,157,931 shares of Company's Common Stock to the GR8 shareholders. The parties intend that the transactions qualify and meet the Internal Revenue Code requirements for a tax-free reorganization, in which there is no corporate gain or loss recognized by the parties, with reference to Internal Revenue Code (IRC) sections 354 and 368.

The transaction resulted in a change in control of the Company. The Company and GR8 were hereby reorganized, such that the Company acquired 100% capital stock of GR8, and GR8 Water Inc., as well as its two 100%-owned subsidiaries, Aqua Pure International Inc. and Water Technologies International LLC, became wholly-owned subsidiaries of the Company.

The reorganization between the Company and GR8 has been accounted for as a reverse acquisition and recapitalization of the Company whereby GR8 is deemed to be the accounting acquirer (legal acquiree) and the Company to be the accounting acquiree (legal acquirer). The accompanying consolidated financial statements are in substance those of GR8 and its subsidiaries, with the assets and liabilities, and revenues and expenses, of the Company being included effective from the date of stock exchange transaction. The Company is deemed to be a continuation of the business of GR8. Accordingly, the accompanying consolidated financial statements include the following:

(1) The balance sheet consists of the net assets of the accounting acquirer at historical cost and the net assets of the accounting acquiree at historical cost;

(2) The financial position, results of operations, and cash flows of the accounting acquirer for all periods presented as if the recapitalization had occurred at the beginning of the earliest period presented and the operations of the accounting acquiree from the date of stock exchange transaction.

Water Technologies International Inc. and GR8, as well as GR8's two 100%-owned subsidiaries, Aqua Pure International Inc. and Water Technologies International LLC are hereinafter referred to as (the "Company").

NOTE－2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") under the accrual basis of accounting. All intercompany accounts and transactions have been eliminated.

NOTE－2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These accounts and estimates include, but are not limited to, the valuation of trade receivables, inventories, income taxes and the estimation on useful lives of property, plant and equipment. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all short term investments with a maturity of three months or less when purchased to be cash and equivalents for purposes of the statement of cash flows.

Accounts Receivable

Accounts receivable is reported on the balance sheet at gross amounts due to the Company. Management closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectible. The Company had no accounts receivable as of September 30, 2014 and December 31, 2013, respectively.

Inventory

The Company's inventory is comprised of machine components and finished goods. Inventories are valued at the lower of cost of market with cost determined on the first-in, first-out method.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred.

Intangibles Assets

The Company is in the process of applying for domestic patents and trademarks. Legal fees and other costs associated with obtaining these patents and trademarks will be amortized over the life of the patents and trademarks using the straight-line method after the patents and trademarks are approved by the authority.

Related Parties

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Companies are also considered to be related if they are subject to common control or common significant influence. A material related party transaction has been identified in Note 5 in the financial statements.

NOTE－2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair Value of Financial Instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification ("ASC") for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB ASC ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in U.S. GAAP, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1	Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
Level 2	Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
Level 3	Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amounts of the Company's financial assets and liabilities, such as cash and accounts payable approximate their fair values because of the short maturity of these instruments.

The Company does not have any assets or liabilities measured at fair value on a recurring or a non-recurring basis, consequently, the Company did not have any fair value adjustments for assets and liabilities measured at fair value at September 30, 2014 and December 31, 2013 nor gains or losses are reported in the statement of operations that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date for the three and nine months ended September 30, 2014 and 2013, respectively.

Revenue Recognition and Cost of Sales

Revenue is recognized when products are completed and shipped. Cost of sales includes all direct production and manufacturing expenses.

Research and Development

Research and development expenses include third-party development and programming costs associated with product development expense incurred to the research findings or other knowledge into a plan or design for a new product or process or for a significant improvement to an existing product or process whether intended for sale or use. Such costs related to products development are included in research and development expense until the point that technological feasibility is reached.

Loss per Share

The Company calculates net loss per share in accordance with ASC 260, *"Earnings per Share"*. Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. No diluted loss per share is required to be represented.

NOTE－2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Taxes

Income taxes are determined in accordance with ASC 740, "*Income Taxes*". Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date.

Subsequent Events

The Company evaluated for subsequent events through the issuance date of the Company's financial statements.

Recent Accounting Pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements up to ASU 2014-15, and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on its consolidated financial condition or the consolidated results of its operations.

NOTE－3 INTANGIBLE ASSETS

On May 18, 2010, the Company filed a patent application for the Atmospheric Water Generator ("AWG") and filtration units with United States Patent and Trademark Office ("USPT office"), and filed another patent application with Patent Convention Treaty to obtain global protection on May 10, 2011. The applications for patent in China and South Africa were approved in 2013. Accordingly, the Company amortized the legal fees and other costs associated with obtaining these patents over the useful life of each patent and recognized the amortization expenses of total $399 and $1,184 during the three and nine months ended September 30, 2014, which was included in selling, general and administrative expenses in the accompanying consolidated statements of operations. Legal fees and other costs associated with the pending patents were approximately $69,214 as of September 30, 2014, which will be amortized over the life of the patents using the straight-line method after the approval.

The related cost and amortization expenses of each patent are set forth in the table below.

	September 30, 2014
Patents - pending	69,214
Patent in China	8,458
Patent in South Africa	9,438
	87,110
Less: accumulated amortization	(2,069)
Patents, net	85,041

In November 2009, the Company filed a trademark application for the Atmospheric Water Generator ("AWG") and filtration units with United States Patent and Trademark Office. The application was pending as of September 30, 2014. Legal fees and other costs associated with obtaining the trademark were capitalized in amount of $10,000 as of September 30, 2014, which will be amortized over the life of the trademark using the straight-line method after the approval.

NOTE－4 NOTE PAYABLE

As of September 30, 2014, the Company had convertible notes in amount of total $55,000 payable to two loan holders. Pursuant to the convertible promissory notes, dated July 30, 2014, the loan holders, at their options, convert all or any portion of the accrued interest and unpaid principal balance of the Notes into fully paid and non-assessable shares of common stock of the Company or its successors, at the conversion ratio of One Cent ($0.01) per share, representing the fair value of the common stock of the Company on the grant date. Accordingly, there no beneficial conversion was recorded. The Company recorded interest expenses related to these convertible promissory notes in amount of $1,421 during the nine months ended September 30, 2014.

During the nine months ended September 30, 2014, the Company settled the outstanding balance of notes payable, including principal of $62,044 and accrued interests of $6,653, by the issuance of 7,000,000 shares of Common Stock of the Company to the note holders. The fair value of this stock issuance was determined by the fair value of the Company's Common Stock on the grant date, at a price of approximately $0.01 per share. Accordingly, the Company recognized loss on extinguishment of convertible debt in amount of $1,303, which has been included in other income (loss) section in the accompanying consolidated statements of operations for the nine months ended September 30, 2014.

NOTE－5 ACCRUED OFFICER COMPENSATION

Since inception, the Company agreed to compensate its Chief Executive Officer, William Scott Tudor, for his contribution and work as the Company's Chairman and Chief Executive Officer, pursuant to which, Mr. Tudor was entitled to receive $8,000 per month since 2011. Accordingly, the Company recognized a total of $24,000 and $72,000 in expenses during the three and nine months ended September 30, 2014. The expenses recognized as officer compensation have been included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

As of September 30, 2014, the balance of accrued officer compensation was $14,635.

NOTE－6 CAPITAL STRUCTURE

In March of 2014, the Company was authorized to issue 750,000,000 shares of common stock, $.00001 par value, and 2,000,000 shares of preferred stock, $.00001 par value, of which 1) 750,000 shares were designated as Series A Convertible Preferred Stock, which shall be convertible, at the option of the holder thereof, at any time after the date of issuance into one hundred (100) shares of fully paid and non-assessable shares of Common Stock; 2) 500,000 shares were designated as Series B Convertible Preferred Stock, which shall be convertible, at the option of the holder thereof, at any time after the date of issuance into one hundred (100) shares of fully paid and non-assessable shares of Common Stock; 3) 300,000 shares were designated as Series C Convertible Preferred Stock, which shall be convertible, at the option of the holder thereof, at any time after the date of issuance into one thousand (1,000) shares of fully paid and non-assessable shares of Common Stock;

As of September 30, 2014, the Company had 500,000 shares of Series A Convertible Preferred Stock, 390,000 shares of Series B Convertible Preferred Stock and 280,000 share of Series C Convertible Preferred Stock issued and outstanding. As of September 30, 2014, the Company had issued 179,610,372 shares of common stock, of which 178,410,372 shares were outstanding.

NOTE－7 PREFERRED STOCK

On February 21, 2014, 150,000 shares of Series "B" Preferred Stock of the Company were converted into 15,000,000 shares of Common Stock of the Company upon the request from the Preferred Stock holders.

On March 27, 2014, the Company issued 50,000 shares of Series "A" Preferred Stock to the three directors of the Company for their services during the period from March 27, 2014 through March 27, 2015. The fair value of this stock issuance was $50,000 upon mutual agreement between the Company and the directors since there was no market for the Company's Series "A" Preferred Stock. Accordingly, the Company booked the stock based compensation pro rata within the relative service period. For the three and nine months ended September 30, 2014, the Company recognized $12,603 and $25,616, respectively, to the consolidated statements of operations. The unrecognized compensation was recorded as deferred compensation amounting to $24,384 as of September 30, 2014.

On March 25, 2014, the Company entered into a consulting service agreement with a Consultant for marketing, management and financial strategies in exchange for 50,000 shares of Series "B" Preferred Stock of the Company. The fair value of this stock issuance was $50,000 upon mutual agreement between the Company and the Consultant since there was no market for the Company's Series "B" Preferred Stock. The agreement had a term of one year effective from March 25, 2014 ending March 24, 2015. Accordingly, the stock based compensation was booked pro rata within the relative service periods. For the three and nine months ended September 30, 2014, the Company recognized $12,637 and $25,961, respectively, to the consolidated statements of operations. The unrecognized compensation was recorded as deferred compensation amounting to $24,038 as of September 30, 2014.

On April 10, 2014, the Company entered into a series of agreements with 2 investors (the "Investors"), pursuant to which the Company issued total 280,000 shares of Series C Convertible Preferred Stock to the Investors, representing approximately 55% of the total outstanding capital stock of the Company on a fully diluted basis after the issuance, in exchange for 1) cash payment of $300,000 by December 31, 2014; 2) cash payment of $200,000 plus accrued interest at a rate of 1% per annum by December 31, 2015; 3) line of credit in amount of $1,000,000 by December 31, 2014; 4) annual sales contract regarding the Company's products not less than $5,000,000 by December 31, 2014; 5) arrangement of proper and suitable exclusive manufacturing and office plant for the Company's products in China by December 31, 2014; 6) services provided by the Investors in connection with financing, manufacturing, and marketing the Company's products in China.

According to the agreements, the 280,000 shares of Series C Convertible Preferred Stock are subject to multiple-step called back when the following events occur.

1) 37.5% of total 280,000 shares, or 105,000 shares, of Series C Convertible Preferred Stock will be returned for cancellation in the events that the Investors fail to obtain the $5,000,000 sales contract for the Company's products by December 31, 2014;

2) 12.5% of total 280,000 shares, or 35,000 shares, of Series C Convertible Preferred Stock will be returned for cancellation in the events that the Investors fail to cause the Company to execute a separate Employment Contract with Mr. Tudor;

3) 12.5% of total 280,000 shares, or 35,000 shares, of Series C Convertible Preferred Stock will be returned for cancellation in the events that the Investors fail to make the cash payment of $300,000 to the Company by December 31, 2014;

NOTE－7 PREFERRED STOCK

4) 25% of total 280,000 shares, or 70,000 shares, of Series C Convertible Preferred Stock will be returned for cancellation in the events that the Investors fail to provide the Company with manufacturing facilities in China by December 31, 2014;

5) 6.25% of total 280,000 shares, or 17,500 shares, of Series C Convertible Preferred Stock will be returned for cancellation in the events that the Investors fail to provide the Company with the necessary financing for offices and equipments in the State of Florida by December 31, 2014; and

6) 6.25% of total 280,000 shares, or 17,500 shares, of Series C Convertible Preferred Stock will be returned for cancellation in the events that the Investors fail to provide the Company with the necessary financing for hiring additional employees in the State of Florida by December 31, 2014.

The fair value of this stock issuance was $5,600,000 determined by the fair value of the Company's Common Stock on the grant date, at a price of approximately $0.02 per share, times 280,000,000 shares, representing 280,000 share of Series C Convertible Preferred Stock on a fully diluted basis. Accordingly, the Company recorded subscription receivable of $500,000 and deferred expenses of $5,100,000 as of September 30, 2014.

On July 10, 2014, the Company issued 250,000 shares of Series "B" Preferred Stock to Number One Holdings, Inc. for settlement and mutual release from a joint venture agreement entered into on July 7, 2013. According to the agreement, the 250,000 shares of Series "B" Preferred Stock are subject to multiple-step called back when the following events occur.

1) The equivalent of 10 million restricted common shares and/or 100,000 shares of Preferred Series "B", in the event that the manufacturing line in China is not completed on or before December 31, 2014 or on or before March 31, 2015 if the deadline is extended for Karma USA, Inc. and Disruptive Technologies, Inc.;

2) The equivalent of up to 10 million restricted common shares and/or 100,000 shares of Preferred Series "B", in the event that Karma USA, Inc. and Disruptive Technologies, Inc. do not reach $5.0 million in wholesale sales of AWG units on or before December 31, 2014 or on or before March 31, 2015 if the deadline is extended for Karma USA, Inc. and Disruptive Technologies, Inc.;

3) The equivalent of 5 million restricted common shares and/or 50,000 shares of Preferred Series "B", in the event that Karma USA, Inc. and Disruptive Technologies, Inc. do not reach the objective of the fully executed agreement between the Company and Karma USA, and Disruptive Technologies, Inc. on or before December 31, 2014 or on or before March 31, 2015 if the deadline is extended for Karma USA, Inc. and Disruptive Technologies, Inc.

The fair value of this stock issuance was $125,000 upon mutual agreement between the Company and Number One Holdings, Inc. since there was no market for the Company's Series "B" Preferred Stock. Accordingly, the Company recorded deferred expenses of $125,000 as of September 30, 2014.

NOTE－8 COMMON STOCK

On March 12, 2014, the Board of Directors of the Company approved to enter into four subscription agreements, pursuant to which the Company issued 10,500,000 shares of Common Stock in exchange for cash payment of $105,000, or $.01 per share.

NOTE – 9 STOCK BASED COMPENSATION

On February 1, 2013, the Company entered into a consulting service agreement with a Consultant for public relationship services in exchange for 1,000,000 shares of Common Stock of the Company. The agreement had a term of one year effective from February 1, 2013 ending January 31, 2014. The fair value of this stock issuance was determined by the fair value of the Company's Common Stock on the grant date, at a price of approximately $0.03 per share. Accordingly, the Company calculated the stock based compensation of $30,000 at its fair value and booked pro rata within the relative service periods. For the three and nine months ended September 30, 2014, the Company recognized $0 and $2,555, respectively, to the consolidated statements of operations. There was no unrecognized compensation related to this agreement as of September 30, 2014.

On February 12, 2013, the Company entered into a consulting service agreement with a Consultant for marketing, management and financial strategies in exchange for 50,000 shares of Series "B" Preferred Stock of the Company. The fair value of this stock issuance was $25,000 upon mutual agreement between the Company and the Consultant since there was no market for the Company's Series "B" Preferred Stock. The agreement had a term of one year effective from February 12, 2013 ending February 11, 2014. Accordingly, the stock based compensation was booked pro rata within the relative service periods. For the three and nine months ended September 30, 2014, the Company recognized $0 and $2,884, respectively, to the consolidated statements of operations. There was no unrecognized compensation related to this agreement as of September 30, 2014.

On May 1, 2013, the Company entered into a consulting service agreement with a Consultant for market development, product planning and public relationship services in exchange for 500,000 shares of Common Stock of the Company. The agreement had a term of 18 months effective from May 1, 2013 ending October 31, 2014. The fair value of this stock issuance was determined by the fair value of the Company's Common Stock on the grant date, at a price of approximately $0.03 per share. Accordingly, the Company calculated the stock based compensation of $15,000 at its fair value and booked pro rata within the relative service periods. For the three and nine months ended September 30, 2014, the Company recognized $2,518 and $7,472, respectively, to the consolidated statements of operations. The unrecognized compensation was recorded as deferred compensation amounting to $849 as of September 30, 2014.

On July 26, 2013, the Company entered into a consulting service agreement with a Consultant for public relations, communications, advisory and consulting services in exchange for 10,000,000 shares of Common Stock of the Company. The agreement had a term of one year effective from July 26, 2013 ending July 26, 2014. The fair value of this stock issuance was determined by the fair value of the Company's Common Stock on the grant date, at a price of approximately $0.01 per share. Accordingly, the Company calculated the stock based compensation of $100,000 at its fair value and booked pro rata within the relative service periods. For the three and nine months ended September 30, 2014, the Company recognized $7,123 and $56,713, respectively, to the consolidated statements of operations. There was no unrecognized compensation related to this agreement as of September 30, 2014.

On August 27, 2013, the Company entered into a service agreement with a corporate counsel for legal services rendered in exchange for 10,000 shares of Series "A" Preferred Stock of the Company. The fair value of this stock issuance was $5,000 upon mutual agreement between the Company and the Consultant since there was no market for the Company's Series "A" Preferred Stock. The agreement had a term of one year effective from August 27, 2013 ending August 27, 2014. Accordingly, the stock based compensation was booked pro rata within the relative service periods. For the three and nine months ended September 30, 2014, the Company recognized $795 and $3,275, respectively, to the consolidated statements of operations. There was no unrecognized compensation related to this agreement as of September 30, 2014.

NOTE – 9 STOCK BASED COMPENSATION (CONT'D)

On August 27, 2013, the Company issued 20,000 shares of Series "A" Preferred Stock to a director of the Board for his directorship. The fair value of this stock issuance was $10,000 upon mutual agreement between the Company and the Consultant since there was no market for the Company's Series "A" Preferred Stock. The agreement had a term of one year effective from August 27, 2013 ending August 27, 2014. Accordingly, the stock based compensation was booked pro rata within the relative service periods. For the three and nine months ended September 30, 2014, the Company recognized $1,589 and $6,548, respectively, to the consolidated statements of operations. There was no unrecognized compensation related to this agreement as of September 30, 2014.

On March 27, 2014, the Company issued 50,000 shares of Series "A" Preferred Stock to the three directors of the Company for their services during the period from March 27, 2014 through March 27, 2015. The fair value of this stock issuance was $50,000 upon mutual agreement between the Company and the directors since there was no market for the Company's Series "A" Preferred Stock. Accordingly, the Company booked the stock based compensation pro rata within the relative service period. For the three and nine months ended September 30, 2014, the Company recognized $12,603 and $25,616, respectively, to the consolidated statements of operations. The unrecognized compensation was recorded as deferred compensation amounting to $24,384 as of September 30, 2014.

On March 25, 2014, the Company entered into a consulting service agreement with a Consultant for marketing, management and financial strategies in exchange for 50,000 shares of Series "B" Preferred Stock of the Company. The fair value of this stock issuance was $50,000 upon mutual agreement between the Company and the Consultant since there was no market for the Company's Series "B" Preferred Stock. The agreement had a term of one year effective from March 25, 2014 ending March 24, 2015. Accordingly, the stock based compensation was booked pro rata within the relative service periods. For the three and nine months ended September 30, 2014, the Company recognized $12,637 and $25,961, respectively, to the consolidated statements of operations. The unrecognized compensation was recorded as deferred compensation amounting to $24,038 as of September 30, 2014.

On July 30, 2014, the Company entered into an advisory service agreement with a Consultant for global expansion, capital markets strategies, marketing, media and event management and cash proceeds of $5,000 in exchange for total 10,000,000 shares of Common Stock of the Company, of which 4,000,000 shares were issued on August 12, 2014 and 1,200,000 shares were issued and held by the transfer agent of the Company until December 31, 2014. The balance will be issued evenly per quarter starting from January 1, 2015. The agreement had a term of two years effective from July 30, 2014 ending July 30, 2016. The fair value of this stock issuance was determined by the fair value of the Company's Common Stock on the grant date, at a price of approximately $0.01 per share. Accordingly, the Company recognized $35,000 to the consolidated statements of operations for the nine months ended September 30, 2014.

The aforementioned transactions were independently negotiated between the Company and the Consultants. The Company evaluated the transactions based on the fact that the Company had nominal trading volume for its stock, and had negative shareholder equity at the time of issuance. The stock based compensation preserved the limited cash available currently in the Company.

NOTE – 10 PREFERRED STOCK TO BE ISSUED

As of September 30, 2014, the Company had preferred stock to be issued in amount of $15,000, which were in connection with the transactions as below:

On June 12, 2014, one investor submitted a subscription agreement to the Company regarding the purchase of 50,000 shares of the Company's Series "B" Preferred Stock by cash payment of $15,000. The transaction was independently negotiated between the Company and the investor. The Company evaluated the transaction based on the fact that there was no market for the Company's Series "B" Preferred Stock. The proceeds from the subscription agreement, which were collected in full during the second quarter of 2014, mitigated the Company's cash pressure in short term. The 50,000 shares of the Company's Series "B" Preferred Stock have not been issued as of the date of this report.

NOTE－11 GOING CONCERN

These consolidated financial statements have been prepared assuming that Company will continue as a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

As of September 30, 2014, the Company had an accumulated deficit of $2,875,156. Management has taken certain action and continues to implement changes designed to improve the Company's financial results and operating cash flows. The actions involve certain cost-saving initiatives and growing strategies, including (a) engage in very limited activities without incurring any liabilities that must be satisfied in cash until a source of funding is secured; and (b) offer noncash consideration and seek for equity lines as a means of financing its operations. If the Company is unable to obtain revenue producing contracts or financing or if the revenue or financing it does obtain is insufficient to cover any operating losses it may incur, it may substantially curtail or terminate its operations or seek other business opportunities through strategic alliances, acquisitions or other arrangements that may dilute the interests of existing stockholders.

NOTE－12 SUBSEQUENT EVENTS

In accordance with ASC Topic 855-10, the Company has analyzed its operations subsequent to September 30, 2014 to the date these financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these financial statements other than the followings:

In October of 2014, the Company issued total 220,000 shares of Series "A" Preferred Stock to the three directors of the Company for their services during the period from October 1, 2014 through September 30, 2015.

On October 23, 2014, the Company entered into a consulting service agreement with a Consultant for marketing, management and financial strategies in exchange for 50,000 shares of Series "B" Preferred Stock of the Company.

I, William Scott Tudor certify that:

1. I have reviewed the Consolidated Financial Statements for the three and nine months ended September 30, 2014 of Water Technologies International, Inc.

2. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference hereto, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented hereto.

Date: November 13, 2014

/s/: William Scott Tudor
William Scott Tudor
Chief Executive Officer