WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(UNAUDITED)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Unaudited Condensed Consolidated Balance Sheets as of December 31, 2015 and 2014	F-3
Unaudited Condensed Consolidated Statements of Operations for the Years ended December 31, 2015 and 2014	F-4
Unaudited Condensed Consolidated Statements of Cash Flows for the Years ended December 31, 2015 and 2014	F-5
Unaudited Condensed Consolidated Statement of Equity (Deficit) for the Years Ended December 31, 2015 and 2014	F-6
Notes to Unaudited Condensed Consolidated Financial Statements	F-7 to F-18

WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of December 31, 2015 and 2014
(Unaudited)

ASSETS	December 31, 2015	December 31, 2014
CURRENT ASSETS		
Cash and cash equivalents	$ 1,096	$ 17
Inventory	39,927	39,927
Other receivable	5,000	5,000
TOTAL CURRNET ASSETS	46,023	44,944
INTANGIBLE ASSETS		
Trademark, net of amortization	10,000	10,000
Patent, net of amortization	140,874	85,384
NET INTANGIBLE ASSETS	150,874	95,384
TOTAL ASSETS	$ 196,897	$ 140,328
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 17,934	$ 17,934
Convertible notes payable (net of discount of $33,789)	41,710	-
Notes payable	-	55,000
Derivative liabilities	158,037	-
Accrued officer compensation	160,346	34,145
Due to third parties	5,000	5,000
Customer deposits	15,692	15,692
Other payables and accrued expenses	73,346	69,053
Preferred stock to be issued	10,000	-
TOTAL CURRENT LIABILITIES	482,065	196,824
TOTAL LIABILITIES	$ 482,065	$ 196,824
STOCKHOLDERS' (DEFICIT)		
Preferred stock (par value $.00001, 2,000,000 shares authorized, of which 1,440,000 shares issued and outstanding as of December 31, 2015 and 2014, respectively)	15	15
Common stock (par value $.00001, 750,000,000 shares authorized, of which 233,818,856 and 179,610,372 shares issued and outstanding as of December 31, 2015 and 2014, respectively)	2,338	1,796
Additional paid in capital	8,858,269	8,689,084
Deferred compensation	-	(56,182)
Deferred expenses	(5,225,000)	(5,225,000)
Subscription receivable	(500,000)	(500,000)
Retained earnings (deficit)	(3,420,790)	(2,966,209)
TOTAL STOCKHOLDERS' (DEFICIT)	(285,168)	(56,496)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	$ 196,897	$ 140,328

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

WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the Years Ended December 31, 2015 and 2014
(Unaudited)

	For the Years Ended December 31, 2015	December 31, 2014
Revenues		
Sales	$ 56,954	$ 36,223
Cost of sales	32,607	20,623
Gross profit	24,347	15,600
Operating expenses		
Selling General and Administrative	251,058	245,415
Stock based compensation	75,222	215,113
Research and development expenses	-	7,212
Total operating expenses	326,280	467,740
Income (Loss) from Operations	(301,933)	(452,140)
Other income (expenses)		
Interest expenses	(12,809)	(4,476)
Amortization of debt discount	(46,211)	
Change in derivative liabilities	(99,392)	
Gain (loss) on extinguishment of debt	5,764	(1,303)
Total other income (loss)	(152,648)	(5,779)
Income (loss) before income taxes	(454,581)	(457,919)
Income taxes	-	-
Net Income (Loss)	$ (454,581)	$ (457,919)
Earnings (loss) per share		
Basic	**	**
Weighted average number of shares outstanding		
Basic	197,126,260	171,069,824

** 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 Years Ended December 31, 2015 and 2014
(Unaudited)

	For the Years Ended December 31, 2015	December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (454,581)	$ (457,919)
Adjustments to reconcile net income (loss) to net cash (used in) operating activities:		
(Gain) loss on extinguishment of debt	(5,764)	1,303
Amortization expenses - patents	2,417	1,583
Amortization of debt discount	46,211	-
Change in derivative liabilities	99,392	-
Common stock issued for interest	-	6,653
Common stock issued for services	75,222	215,113
Changes in operating assets and liabilities:		
Interest payable	12,410	3,529
Accrued officer compensation	126,201	17,101
Other payables and accrued expenses	16,978	28,591
NET CASH (USED IN) OPERATING ACTIVITIES	(81,514)	(184,046)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of patent	(12,407)	(11,449)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(12,407)	(11,449)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	-	55,000
Proceeds from convertible notes payable	25,000	-
Proceeds from issuance of shares	70,000	125,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	95,000	180,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,079	(15,495)
CASH AND CASH EQUIVALENTS:		
Beginning of period	17	15,512
End of period	$ 1,096	$ 17
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -
Non-cash transactions:		
Common stock issued for patents assignment	$ 45,500	$ -
Common stock issued for settlement of notes payable	$ 4,501	$ 62,044
Common stock issued for settlement of rents payable	$ 19,596	$ -
Common stock issued for services	$ 75,222	$ 215,113
Common stock issued for interest	$ 5,499	$ 6,653
Debt discount related to derivative Liabilities	$ 80,000	$ -

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, 2015 and 2014
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in	Deferred	Deferred	Subscription	Retained Earnings	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Compensatior	Expenses	Receivable	(Deficit)	(Deficit)
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	570,000	6	-	-	268,994	24,112	(125,000)			168,113
Preferred stock issued for cash and services	280,000	3			5,599,997		(5,100,000)	(500,000)		-
Common stock issued for services	-	-	1,200,000	12	11,988					12,000
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
Proceeds from sales of preferred shares	50,000	1		-	14,999					15,000
Net (loss)									(457,919)	(457,919)
Balance, December 31, 2014	1,440,000	$ 15	179,610,372	$ 1,796	$ 8,689,084	$ (56,182)	$ (5,225,000)	$ (500,000)	$ (2,966,209)	$ (56,496)
Preferred stock issued for services		-	-	-		56,182				56,182
Proceeds from sales of preferred shares	20,000	0		-	30,000					30,000
Preferred shares conversion	(20,000)	(0)	2,000,000	20	(20)					-
Common stock issued for services	-	-	9,600,000	96	18,944					19,040
Common stock issued for notes conversion	-	-	7,692,308	77	9,923					10,000
Common stock issued for payables settlement	-	-	6,916,176	69	13,763					13,832
Reclassification of derivative liability associated with debt conversion	-	-	-	-	21,355					21,355
Proceeds from sales of common shares	-	-	15,000,000	150	29,850					30,000
Common stock issued for patents assignment			13,000,000	130	45,370					45,500
Net (loss)									(454,581)	(454,581)
Balance, December 31, 2015	1,440,000	$ 15	233,818,856	$ 2,338	$ 8,858,269	$ -	$ (5,225,000)	$ (500,000)	$ (3,420,790)	$ (285,168)

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

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 December 31, 2015 and 2014, 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.

Fair value of financial instruments

The Company measures its financial and non-financial assets and liabilities, as well as makes related disclosures, in accordance with FASB Accounting Standards Codification No. 820, *Fair Value Measurement* ("ASC 820"), which provides guidance with respect to valuation techniques to be utilized in the determination of fair value of assets and liabilities. Approaches include, (i) the market approach (comparable market prices), (ii) the income approach (present value of future income or cash flow), and (iii) the cost approach (cost to replace the service capacity of an asset or replacement cost). ASC 820 utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

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

Fair value of financial instruments (continued)

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one more significant inputs or significant value drivers are unobservable.

Our financial instruments include cash, other receivable, inventories, accounts payable, accrued liabilities, convertible note payable, and derivative liabilities.

The carrying values of the Company's cash, accrued liabilities approximate their fair value due to their short-term nature.

The Company's convertible note payable are measured at amortized cost.

The derivative liabilities are stated at their fair value as a level 3 measurement. The Company used a Black-Scholes model to determine the fair values of these derivative liabilities. See Note 4 and Note 5 for the Company's assumptions used in determining the fair value of these financial instruments.

Convertible note payable

The Company accounts for convertible note payable in accordance with the FASB Accounting Standards Codification No. 815, *Derivatives and Hedging*, since the conversion feature is not indexed to the Company's stock and can't be classified in equity. The Company allocates the proceeds received from convertible note payable between the liability component and conversion feature component. The conversion feature that is considered embedded derivative liabilities has been recorded at their fair value as its fair value can be separated from the convertible note and its conversion is independent of the underlying note value. The Company has also recorded the resulting discount on debt related to the conversion feature and is amortizing the discount using the effective interest rate method over the life of the debt instruments.

Derivative liabilities

The Company accounts for derivative liabilities in accordance with the FASB Accounting Standards Codification No. 815, *Derivatives and Hedging* ("ASC 815"). ASC 815 requires companies to recognize all derivative liabilities in the balance sheet at fair value, and marks it to market at each reporting date with the resulting gains or losses shown in the Statement of Operations.

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.

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

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

Net income (loss) per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. If applicable, diluted earnings per share assume the conversion, exercise or issuance of all common stock instruments such as options, warrants, convertible securities and preferred stock, unless the effect is to reduce a loss or increase earnings per share. Convertible debentures and preferred stock conversions are not considered in the calculations, as the impact of the potential common shares would be to decrease the loss per share. Therefore no diluted loss per share figure is presented.

Income Taxes

Income taxes are determined in accordance with ASC Topic 740, "Income *Taxes*" ("ASC 740"). Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

For the years ended December 31, 2015 and 2014, the Company did not have any interest and penalties associated with tax positions. As of December 31, 2015, the Company did not have any significant unrecognized uncertain tax positions.

Uncertain tax positions

Company did not take any uncertain tax positions and had no adjustments to unrecognized income tax liabilities or benefits pursuant to the provisions of Section 740-10-25 of the FASB Accounting Standards Codification for the years ended December 31, 2015.

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

Related Parties

The Company follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20 the related parties include a. affiliates of the Company; b. Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825–10–15, to be accounted for by the equity method by the investing entity; c. trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d. principal owners of the Company; e. management of the Company; f. other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g. Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The consolidated financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. The disclosures shall include: a. the nature of the relationship(s) involved; b. a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; c. the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d. amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement. A material related party transaction has been identified in Note 7 in the financial statements.

Subsequent Events

The Company adopted FASB Accounting Standards Codification 855 *"Subsequent Events"* ("ASC 855") to establish general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or available to be issued.

Recent Accounting Pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements up to ASU 2016-10, 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.

NOTE－3 INTANGIBLE ASSETS (CONT'D)

On September 9, 2015, the Company entered into certain Assignment Agreements with Ser-Manukyan Family Holdings, Inc. (the "Assignor"), pursuant to which the Company was assigned 2 patents related to APPARATUS AND METHOD FOR A SPLIT TYPE WATER EXTRACTOR AND WATER DISPENSER in exchange for the issuance of 13,000,000 shares of common stock of the Company to the Assignor. 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 $0.0035 per share. The transaction was independently negotiated between the Company and the Assignor. The Company evaluated the transaction 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 issuance of stock for patents assignment preserved the limited cash available currently in the Company.

Accordingly, the Company recorded patent of $45,500 in this transaction, and amortized the cost, legal fees and other costs associated with obtaining these patents over the useful life of each patent. During the years ended December 31, 2015 and 2014, there were amortization expenses of total $2,417 and $1,583, respectively, which were 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 $76,124 as of December 31, 2015, 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, 2015
Patents - pending	82,363
Patent in China	8,458
Patent in South Africa	9,438
Patents assigned	45,500
	145,759
Less: accumulated amortization	(4,885)
Patents, net	140,874

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 December 31, 2015. Legal fees and other costs associated with obtaining the trademark were capitalized in amount of $10,000 as of December 31, 2015, which will be amortized over the life of the trademark using the straight-line method after the approval.

NOTE－4 CONVERTIBLE NOTES PAYABLE

As of December, 2015, the Company had convertible notes in amount of total $55,000 (the "Notes") payable to two loan holders. Pursuant to the 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 Notes were restructured on October 5, 2015, pursuant to which the conversion rate will be 50% of the average of the lowest 3 closing prices on the primary trading market on which the Corporation's Common Stock is quoted for the ten (10) trading days immediately prior to but not including the Conversion Date and the maturity date will be extended to January 31, 2016.

NOTE－4 CONVERTIBLE NOTES PAYABLE (CONT'D)

On October 19, 2015, a portion of principal and accrued interest of the convertible promissory note in amount of $4,501 and $5,499, respectively, were converted into 7,692,308 shares of common stock of the Company at the conversion price of $0.0013 per share.

The restructure of the Notes triggered derivative liability accounting related to the Notes since the conversion ratio is considered floorless. Notes that are convertible at a discount to market are considered embedded derivatives.

Under Financial Accounting Standard Board ("FASB"), U.S. GAAP, Accounting Standards Codification, "Derivatives and Hedging", ASC Topic 815 ("ASC 815") requires that all derivative financial instruments be recorded on the balance sheet at fair value. Fair values for exchange traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data and requiring judgment and estimates.

The Company's convertible notes have been evaluated with respect to the terms and conditions of the conversion features contained in the notes to determine whether they represent embedded or freestanding derivative instruments under the provisions of ASC 815. The Company determined that the conversion features contained in the Notes for total $55,000 carrying value represents a freestanding derivative instrument that meets the requirements for liability classification under ASC 815. As a result, the fair value of the derivative financial instrument in the note is reflected in the Company's balance sheet as a liability. The fair value of the derivative financial instrument of the convertible note was measured using the Black-Scholes valuation model at the inception date of the Note and will do so again on each subsequent balance sheet date. Any changes in the fair value of the derivative financial instruments are recorded as non-operating, non-cash income or expense at each balance sheet date.

The table below sets forth the assumptions for Black-Scholes valuation model on October 5, 2015 (restructure date), October 19, 2015 and December 31, 2015, respectively. For the year ended December 31, 2015, the Company decreased the derivative liability in connection with these Notes by $123,209, furthermore, $21,355 was reclassified into additional paid in capital due to the conversion of the partial principle and accrued interest totaled $10,000, resulting in a derivative liability of $103,902 in connection with these Notes at December 31, 2015.

Reporting Date	Fair Value	Term (Years)	Assumed Conversion Price	Market Price on Issuance Date	Volatility Percentage	Risk-free Rate
10/5/2015	$248,466	0.32	$0.00085	$0.0032	636%	0.0001
10/19/2015	$ 21,355	0.28	$0.00128	$0.0029	647%	0.0002
12/31/2015	$103,902	0.08	$0.00057	$0.0012	739%	0.0014

The Notes	
Proceeds	55,000
Less derivative liabilities on initial recognition	(55,000)
Value of the Notes on initial recognition	0
Add accumulated accretion expense	42,375
Less note conversion	(4,501)
Balance as of December 31, 2015	37,874

NOTE－4 CONVERTIBLE NOTES PAYABLE (CONT'D)

At December 31, 2015, the carrying value of the Notes was $37,874 and debt discount was $12,625. The Company recorded interest expense of $11,834 related to the Notes and amortization of debt discounts in amount of $42,375 during the year ended December 31, 2015. The Notes were in default again as of the date of this report.

NOTE－5 CONVERTIBLE NOTE PAYABLE – LINE OF CREDIT

On October 23, 2015, the Company entered into a 15% promissory note (the "Note") with an unrelated third party (the "Note Holder"), pursuant to which the Note Holder agreed to invest total amount up to $250,000 into the Company for working capital. The Note is convertible at the Note Holder's option into the shares of the common stock of the Company at a conversion price equal to 50% of the average of the lowest 3 closing prices for the ten (10) trading days immediately prior to but not including the Conversion Date. As of December 31, 2015, the outstanding balance of the Note was $25,000. The Company recorded interest expense of $576 related to the Note during the year ended December 31, 2015.

Notes that are convertible at a discount to market are considered embedded derivatives.

Under Financial Accounting Standard Board ("FASB"), U.S. GAAP, Accounting Standards Codification, "Derivatives and Hedging", ASC Topic 815 ("ASC 815") requires that all derivative financial instruments be recorded on the balance sheet at fair value. Fair values for exchange traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data and requiring judgment and estimates.

The Company's convertible notes have been evaluated with respect to the terms and conditions of the conversion features contained in the notes to determine whether they represent embedded or freestanding derivative instruments under the provisions of ASC 815. The Company determined that the conversion features contained in this note of $25,000, represents a freestanding derivative instrument that meets the requirements for liability classification under ASC 815. As a result, the fair value of the derivative financial instrument in the note is reflected in the Company's balance sheet as a liability. The fair value of the derivative financial instrument of the convertible note was measured using the Black-Scholes valuation model at the inception date of the note and will do so again on each subsequent balance sheet date. Any changes in the fair value of the derivative financial instruments are recorded as non-operating, non-cash income or expense at each balance sheet date. The derivative liabilities will be reclassified into additional paid in capital upon conversion.

The table below sets forth the assumptions for Black-Scholes valuation model on December 31, 2015.

Reporting Date	Fair Value	Term (Years)	Assumed Conversion Price	Market Price on Issuance Date	Volatility Percentage	Risk-free Rate
12/31/2015	$54,135	0.85	$0.00057	$0.0012	739%	0.0065

NOTE－6 DERIVATIVE LIABILITIES

As of December 31, 2015, the Company's derivative liabilities are embedded derivatives associated with the Company's convertible notes payable (see Note 4 and Note 5). Due to the Notes' conversion feature, the actual number of shares of common stock that would be required if a conversion of the note as described in Note 4 and Note 5 was made through the issuance of the Company's common stock cannot be predicted. As a result, the conversion feature requires derivative accounting treatment and will be bifurcated from the note and "marked to market" each reporting period through the statement of operations.

The Company measured the fair value of the derivative liabilities as $158,037 on December 31, 2015, and will subsequently remeasure the fair value at the end of each period, and record the change of fair value in the consolidated statement of operation during the corresponding period.

NOTE－7 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 $40,000 per quarter since 2015. Accordingly, the Company recognized a total of $160,000 in expenses during the year ended December 31, 2015. The expenses recognized as officer compensation have been included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

As of December 31, 2015, the balance of accrued officer compensation was $160,346.

NOTE－8 CAPITAL STRUCTURE

As of December 31, 2015, 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 December 31, 2015, the Company had 700,000 shares of Series A Convertible Preferred Stock, 440,000 shares of Series B Convertible Preferred Stock and 300,000 share of Series C Convertible Preferred Stock issued and outstanding. As of December 31, 2015, the Company had 233,818,856 shares of common stock issued and outstanding.

During the year ended December 31, 2015, the Company issued 20,000 shares of Series "C" Preferred Stock to a creditor of the Company to settle the amount of $30,000 advanced by the creditor during the period from July 1, 2014 through December 31, 2015.

NOTE－8 CAPITAL STRUCTURE

During the year ended December 31, 2015, one investor submitted a subscription agreement to the Company regarding the purchase of 15,000,000 shares of the Company's Common Stock by cash payment of $30,000. The transaction was independently negotiated between the Company and the investor. The Company evaluated the transaction based on the fact that the shares are restricted for one year. The proceeds from the subscription agreement mitigated the Company's cash pressure in short term.

During the year ended December 31, 2015, 20,000 shares of Series "A" Preferred Stock were converted into 2,000,000 shares of Common Stock per the preferred shareholder's instruction.

During the year ended December 31, 2015, the Company issued 6,916,176 shares of Common Stock to the landlord of the office to settle the rents payable as of December 31, 2014 in amount of $19,596. 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 $0.002 per share. Accordingly, the Company recognized gain on debt extinguishment in amount of $5,764 to the consolidated statement of operations for the year ended December 31, 2015.

NOTE – 9 PREFERRED STOCK TO BE ISSUED

During the year ended December 31, 2015, one investor submitted a subscription agreement to the Company regarding the purchase of 100,000 shares of the Company's Series "B" Preferred Stock by cash payment of $10,000, which was collected during the fourth quarter of 2015. The transaction was independently negotiated between the Company and the investor. The proceeds from the subscription agreement mitigated the Company's cash pressure in short term.

The 100,000 shares of the Company's Series "B" Preferred Stock was issued during the second quarter of 2016 and the Company recorded preferred stock to be issued in amount of $10,000 as of December 31, 2015.

NOTE – 10 STOCK BASED COMPENSATION

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 year ended December 31, 2015, the Company recognized $11,781 to the consolidated statements of operations. There was no unrecognized compensation related to this agreement as of December 31, 2015.

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 year ended December 31, 2015, the Company recognized $11,401 to the consolidated statements of operations. There was no unrecognized compensation related to this agreement as of December 31, 2015.

NOTE – 10 STOCK BASED COMPENSATION (CONT'D)

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. The fair value of this stock issuance was $44,000 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 year ended December 31, 2015, the Company recognized $33,000 to the consolidated statements of operations. There was no unrecognized compensation related to this agreement as of December 31, 2015.

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. During the year ended December 31, 2015, the Company issued the Consultant 1,600,000 shares of common stock of the Company pursuant to this agreement. 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 $0.0044 per share. Accordingly, the Company recognized stock based compensation of $7,040 to the consolidated statements of operations for the year ended December 31, 2015.

On November 12, 2015, the Company issued 8,000,000 shares of Common Stock to a Consultant for advisory service in connection with capital markets strategies. 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 $0.0015 per share. Accordingly, the Company recognized stock based compensation of $12,000 to the consolidated statements of operations for the year ended December 31, 2015.

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－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 December 31, 2015, the Company had an accumulated deficit of $3,420,790. 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 December 31, 2015 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:

On January 4, 2016, a portion of principal and accrued interest of the convertible promissory note in amount of $7,260 and $2,740, respectively, were converted into 17,543,860 shares of common stock of the Company at the conversion price of $0.00057 per share.

On January 27, 2016, 50,000 shares of Series "B" Preferred Stock were converted into 5,000,000 shares of Common Stock per the preferred shareholder's instruction.

On January 27, 2016, the Company returned 280,000 shares of Series C Convertible Preferred Stock to the treasury. The issuance of the 280,000 shares of Series C Convertible Preferred Stock was in connection with a series agreement entered into on April 10, 2014 for Chinese market development. The agreements were unwound.

On February 25, 2016, a portion of principal and accrued interest of the convertible promissory note in amount of $390 and $5,010, respectively, were converted into 7,397,260 shares of common stock of the Company at the conversion price of $0.00073 per share.

On February 29, 2016, the Company issued total 45,000 shares of Series "C" Preferred Stock to the two directors of the Company for their services during 2016.

On March 4, 2016, the Company entered into a consulting service agreement with a Consultant for accounting and financial services in exchange for a Convertible Promissory Note with principal amount of $40,000. The Note is convertible at the Note Holder's option into the shares of the common stock of the Company at a conversion price of $.001 per share or 50% of the average of the lowest 3 closing prices for the ten (10) trading days immediately prior to but not including the Conversion Date, whichever is lower.

On April 8, 2016, the Company returned 250,000 shares of Series B Convertible Preferred Stock to the treasury. The issuance of the 250,000 shares of Series B Convertible Preferred Stock was in connection with a series agreement entered into on July 10, 2014 for Chinese market development, which were subject to multiple-step called back according to the actual performance.

I, William Scott Tudor certify that:

1. I have reviewed the Consolidated Financial Statements for the years ended December 31, 2015 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: April 18, 2016

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