WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017
(UNAUDITED)

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To the Board of Directors and
Water Technologies International Inc.

The accompanying consolidated financial statements of Water Technologies International Inc. and its subsidiaries as of and for the three and six months ended June 30, 2017, were not subjected to an audit, review, or compilation engagement by us and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.

/s/ L&L CPAs, PA
L&L CPAs, PA
Plantation, FL
August 7, 2017

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of June 30, 2017 and December 31, 2016
(Unaudited)

ASSETS		June 30, 2017		December 31, 2016
CURRENT ASSETS				
Cash and cash equivalents	$	6,062	$	913
Inventory		3,600		16,100
Other receivable		5,000		5,000
TOTAL CURRNET ASSETS		14,662		22,013
INTANGIBLE ASSETS				
Trademark		10,000		10,000
Patent, net of amortization		118,898		134,917
NET INTANGIBLE ASSETS		128,898		144,917
TOTAL ASSETS	$	143,560	$	166,930
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Convertible notes payable (net of discount of $95,055 and $44,200, respectively)	$	54,945	$	66,800
Notes payable		10,200		10,200
Derivative liabilities		358,083		239,278
Accrued officer compensation		332,785		292,020
Due to third parties		5,000		5,000
Customer deposits		15,692		15,692
Other payables and accrued expenses		44,895		41,952
TOTAL CURRENT LIABILITIES		821,600		670,942
TOTAL LIABILITIES	$	821,600	$	670,942
STOCKHOLDERS' (DEFICIT)				
Preferred stock (par value $.00001, 2,000,000 shares authorized, of which 1,450,000 and 1,385,000 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively)	$	15	$	14
Common stock (par value $.00001, 2,000,000,000 shares authorized, of which 668,343,552 and 445,205,425 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively)		6,683		4,452
Additional paid in capital		3,743,162		3,496,576
Retained earnings (deficit)		(4,427,900)		(4,005,054)
TOTAL STOCKHOLDERS' (DEFICIT)		(678,040)		(504,012)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	$	143,560	$	166,930

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 Six Months Ended June 30, 2017 and 2016
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues				
Sales	$ -	$ 3,596	$ -	$ 10,893
Cost of sales	-	3,864	12,500	7,813
Gross profit	-	(268)	(12,500)	3,080
Operating expenses				
Selling General and Administrative	103,862	45,456	173,905	132,098
Stock based compensation	-	13,000	-	98,500
Research and development expenses	-	-	-	-
Total operating expenses	103,862	58,456	173,905	230,598
Income (Loss) from Operations	(103,862)	(58,724)	(186,405)	(227,518)
Other income (expenses)				
Interest expenses	(8,147)	(4,780)	(15,436)	(8,498)
Amortization of debt discount	(29,013)	(23,208)	(54,145)	(47,304)
Change in derivative liabilities	(212,012)	(41,383)	(166,860)	(49,576)
Gain (loss) on extinguishment of debt	-	-	-	24
Total other income (loss)	(249,172)	(69,371)	(236,441)	(105,354)
Income (loss) before income taxes	(353,034)	(128,095)	(422,846)	(332,872)
Income taxes	-	-	-	-
Net Income (Loss)	$ (353,034)	$ (128,095)	$ (422,846)	$ (332,872)
Earnings (loss) per share				
Basic	**	**	**	**
Weighted average number of shares outstanding				
Basic	572,064,501	302,875,940	515,773,192	279,244,451

** Less than $.01

WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2017 and 2016
(Unaudited)

	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (422,846)	$ (332,872)
Adjustments to reconcile net income (loss) to		
net cash (used in) operating activities:		
(Gain) loss on extinguishment of debt	-	(24)
Amortization expenses - patents	19,263	2,134
Amortization of debt discount	54,145	47,304
Change in derivative liabilities	166,860	49,576
Convertible notes issued for services rendered	49,000	19,736
Stock issued for services	-	98,500
Inventory written off due to obsolete	12,500	-
Changes in operating assets and liabilities:		
Interest payable	15,436	8,498
Accrued officer compensation	40,765	73,850
Other payables and accrued expenses	3,270	(5,467)
NET CASH (USED IN) OPERATING ACTIVITIES	(61,607)	(38,765)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of patent	(3,244)	1,949
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(3,244)	1,949
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	-	-
Proceeds from convertible notes payable	60,000	31,000
Proceeds from issuance of shares	10,000	5,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	70,000	36,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,149	(816)
CASH AND CASH EQUIVALENTS:		
Beginning of period	913	1,096
End of period	$ 6,062	$ 280
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -
Non-cash transactions:		
Cancellation of preferred stock	$ -	$ 5,600,000
Common stock issued for settlement of notes payable	$ 70,000	$ 35,533
Conversion of rents payable to notes payable	$ -	$ 10,224
Stock issued for services	$ -	$ 98,500
Common stock issued for interest	$ 15,763	$ 10,623
Debt discount related to derivative Liabilities	$ 105,000	$ 71,000

WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statement of Equity (Deficit)
For the Years Ended December 31, 2016 and 2015, and for the Six Months Ended June 30, 2017
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Deferred Compensation	Deferred Expenses	Subscription Receivable	Retained Earnings (Deficit)	Total Stockholders' (Deficit)
	Shares	Amount	Shares	Amount						
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)
Preferred stock issued for services	160,000	2	-	-	98,498	-				98,500
Preferred stock issued for accrued compensation	130,000	1	-	-	26,199	-				26,200
Proceeds from sales of preferred C shares	125,000	1	-	-	14,999					15,000
Cancellation of preferred stock	(530,000)	(5)		-	(5,724,995)		5,225,000	500,000		(0)
Preferred shares conversion	(90,000)	(1)	9,000,000	90	(89)					0
Proceeds from sales of preferred B shares	150,000	1	0	-	9,999					10,000
Common stock issued for notes conversion	-	-	202,386,569	2,024	80,105					82,129
Reclassification of derivative liability associated with debt conversion	-	-	-	-	133,591					133,591
Net (loss)									(584,264)	(584,264)
Balance, December 31, 2016	1,385,000	$ 14	445,205,425	$ 4,452	$ 3,496,576	$ -	$ -	$ -	$ (4,005,054)	$ (504,012)
Common stock issued for notes conversion	-	-	223,138,127	2,231	83,532					85,763
Proceeds from sales of preferred C shares	65,000	1	-	-	9,999					10,000
Reclassification of derivative liability associated with debt conversion	-	-	-	-	153,055					153,055
Net (loss)									(422,846)	(422,846)
Balance, June 30, 2017	1,450,000	$ 15	668,343,552	$ 6,683	$ 3,743,162	$ -	$ -	$ -	$ (4,427,900)	$ (678,040)

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 June 30, 2017 and December 31, 2016, respectively.

Inventory

The Company's inventory is comprised of machine components and finished goods. Inventories are valued at the lower of cost or market value, 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.

Intangible Asset Patent

The Company developed a patent for the Atmospheric Water Generator ("AWG") and filtration units. Costs incurred for submitting the applications to the United States Patent and Trademark Office for these patents have been capitalized. Patent costs are being amortized using the straight-line method over the life of the patents after the patents are approved by the authority.

Trademark

The Company registered "Great Water" as its Trademark with the United States Patent and Trademark Office in 2008. Costs associated with submitting the applications for the Trademark have been capitalized. The Company reviews for impairment of the Trademark whenever events or changes in circumstances indicate that the carrying amount of the Trademark may not be recoverable. In the event of impairment, the asset is written down to its fair market value. The Company determined no impairment adjustment was necessary for the periods presented.

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

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:

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 5 and Note 6 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.

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

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.

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

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

Income Taxes (cont'd)

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 three and six months ended June 30, 2017, the Company did not have any interest and penalties associated with tax positions. As of June 30, 2017, 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 three and six months ended June 30, 2017.

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.

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

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

In March 2016, the FASB issued ASU 2016-09, *Stock Compensation*, which is intended to simplify the accounting for share-based payment award transactions. The new standard will modify several aspects of the accounting and reporting for employee share-based payments and related tax accounting impacts, including the presentation in the statements of operations and cash flows of certain tax benefits or deficiencies and employee tax withholdings, as well as the accounting for award forfeitures over the vesting period. The guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within that year, and will be adopted by the Company in the first quarter of fiscal 2017. The Company anticipates the new standard will result in an increase in the number of shares used in the calculation of diluted earnings per share and will add volatility to the Company's effective tax rate and income tax expense. The magnitude of such impacts will depend in part on whether significant employee stock option exercises occur.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest—Imputation of Interest (Topic 83530): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by ASU 2015-03. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company has reclassified debt issuance costs from prepaid expenses and other current assets and other assets as a reduction to debt in the condensed consolidated balance sheets.

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory ("ASU 2015-11"), which applies guidance on the subsequent measurement of inventory. ASU 2015-11 states that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonable predictable costs of completion, disposal and transportation. The guidance excludes inventory measured using last-in, first-out or the retail inventory method. ASU 2015-11 is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company is not planning to early adopt ASU 2015-11 and is currently evaluating ASU 2015-11 to determine the potential impact to its condensed consolidated financial statements and related disclosures.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's financial position, results of operations or cash flows.

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, the approval in South Korea was obtained in 2014, and the approval in US was obtained in 2015. In addition, the application for the same patent in Brazil was abandoned and the related cost of approximately $16,000 was recognized as expense during the first quarter of 2017.

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 six months ended June 30, 2017 and 2016, there were amortization expenses of total $19,263 and $2,134, 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 $35,941 as of June 30, 2017, 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.

	June 30, 2017
Patents - pending	35,941
Patent in China	8,458
Patent in South Africa	9,438
Patent in South Korea	16,000
Patent in US	16,000
Patents assigned	45,500
Patent in Brazil	16,000
	147,337
Less: accumulated amortization	(28,439)
Patents, net	118,898

NOTE－3 INTANGIBLE ASSETS (CONT'D)

The Company registered "Great Water" as its Trademark for the Atmospheric Water Generator ("AWG") and filtration units with the United States Patent and Trademark Office in 2008. Costs associated with submitting the applications for the Trademark in amount of $10,000 have been capitalized. The Company reviews for impairment of the Trademark whenever events or changes in circumstances indicate that the carrying amount of the Trademark may not be recoverable. In the event of impairment, the asset is written down to its fair market value. The Company determined no impairment adjustment was necessary for the six months ended June 30, 2017.

NOTE－4 NOTES PAYABLE

On January 1, 2016, the Company issued its landlord a 12% promissory note in the principal amount of $10,200 (the "Note") to settle the accrued rents payable as of December 31, 2015 in amount of $10,224. The Note was due on December 31, 2016 and bears the interest at a rate of 12% per annum, payable at the end of each quarter. According to the Note, both principal and accrued interest should be converted into a mutually agreed amount of common shares of the Company when due. The Note is currently in default.

NOTE－5 CONVERTIBLE NOTES PAYABLE

As of June 30, 2017, the Company had convertible notes payable in amount of $54,945, net of debt discount of $95,055. The breakdown of the convertible notes payable was set forth in the table below.

		June 30, 2017
Convertible notes – Line of Credit (1)		156,000
Convertible notes for 2016 services rendered (2)		40,000
Convertible notes for 2017 services rendered (3)		45,000
Less: partial conversion		(91,000)
		150,000
Less: unamortized debt discount		(95,055)
Convertible notes payable, net	$	54,945

(1) On October 23, 2015, the Company issued an unrelated third party (the "Note Holder") a 15% promissory note (the "Note"), 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 June 30, 2017, the outstanding balance of the Note was $105,000, net of partial conversion of $51,000 during the fourth quarter of 2016 and the six months ended June 30, 2017.

On October 28, 2016, a portion of principal and accrued interest of the convertible promissory note in amount of $12,500 and $1,875, respectively, were converted into 18,351,064 shares of common stock of the Company at the conversion price of $0.00078 per share.

NOTE－5 CONVERTIBLE NOTES PAYABLE (CONT'D)

On November 28, 2016, a portion of principal and accrued interest of the convertible promissory note in amount of $12,500 and $2,598, respectively, were converted into 34,840,622 shares of common stock of the Company at the conversion price of $0.00043 per share.

On February 7, 2017, a portion of principal and accrued interest of the convertible promissory note in amount of $6,000 and $1,227, respectively, were converted into 24,090,000 shares of common stock of the Company at the conversion price of $0.0003 per share.

On April 25, 2017, a portion of principal and accrued interest of the convertible promissory note in amount of $5,486 and $4,464, respectively, were converted into 27,133,897 shares of common stock of the Company at the conversion price of $0.00037 per share.

On May 5, 2017, a portion of principal and accrued interest of the convertible promissory note in amount of $14,514 and $71, respectively, were converted into 33,660,282 shares of common stock of the Company at the conversion price of $0.00043 per share.

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 note has been evaluated with respect to the terms and conditions of the conversion features contained in the note 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 $156,000, 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, 2016, February 7, 2017, April 25, 2017, May 5, 2017 and June 30, 2017, respectively. For the six months ended June 30, 2017, the Company increased the derivative liability in connection with the Note by $86,197, furthermore, $82,416 was reclassified into additional paid in capital due to the conversion of the partial principle and accrued interest totaled $31,762. As a result, derivative liability in connection with the Note was $224,776 at June 30, 2017.

NOTE－5 CONVERTIBLE NOTES PAYABLE (CONT'D)

Reporting Date	Fair Value	Term (Years)	Assumed Conversion Price	Market Price on Issuance Date	Volatility Percentage	Risk-free Rate
12/31/2016	$ 160,995	0.53	$0.00023	$0.0006	286%	0.0051
2/7/2017	$ 14,454	0.003	$0.00030	$0.0009	266%	0.0051
4/25/2017	$ 25,324	0.003	$0.00037	$0.0013	297%	0.0098
5/5/2017	$ 42,638	0.003	$0.00043	$0.0017	297%	0.0101
6/30/2017	$ 224,776	0.56	$0.00033	$0.0008	297%	0.0114

The Note	
Proceeds	156,000
Less derivative liabilities on initial recognition	(156,000)
Value of the Notes on initial recognition	0
Add accumulated accretion expense	97,192
Less partial conversion	(51,000)
Balance as of June 30, 2017	46,192

At June 30, 2017, the carrying value of the Notes was $46,192 and debt discount was $58,808. The Company recorded interest expense of $7,729 related to the Note and amortization of debt discounts in amount of $38,488 during the six months ended June 30, 2017.

(2) On March 4, 2016, the Company issued an unrelated Consultant (the "Consultant") a 12% promissory note (the "Services Note") in the principal amount of $40,000 for services rendered, pursuant to which the Consultant, at his options, is entitled to convert all or any portion of the accrued interest and unpaid principal balance of the Services Note 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 bid prices for the ten (10) trading days immediately prior to but not including the Conversion Date.

On April 13, 2017, the accrued interest of $6,350 of the Services Note, plus $1,000 conversion cost were converted into 19,190,601 shares of common stock of the Company at the conversion price of $0.00038 per share.

On May 11, 2017, a portion of principal of $15,000 of the Services Note were converted into 37,500,000 shares of common stock of the Company at the conversion price of $0.00040 per share.

On May 18, 2017, the accrued interest of $3,477 and a portion of principal of $10,273 of the Services Note, plus $1,000 conversion cost were converted into 28,529,981 shares of common stock of the Company at the conversion price of $0.00052 per share.

On June 7, 2017, the accrued interest of $147 and a portion of principal of $8,853 of the Services Note, plus $1,000 conversion cost were converted into 30,030,031 shares of common stock of the Company at the conversion price of $0.00033 per share.

NOTE－5 CONVERTIBLE NOTES PAYABLE (CONT'D)

On June 16, 2017, the accrued interest of $27 and the last portion of principal of $5,874 of the Services Note, plus $1,000 conversion cost were converted into 23,003,335 shares of common stock of the Company at the conversion price of $0.00030 per share.

The Services Note that is convertible at a discount to market is 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 Services Note has been evaluated with respect to the terms and conditions of the conversion features contained in the note 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 Services Note of $40,000, 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, 2016, April 13, 2017, May 11, 2017, May 18, 2017, June 7, 2017 and June 16, 2017, respectively. For the six months ended June 30, 2017, the Company decreased the derivative liability in connection with the Services Note by $7,644, furthermore, $70,639 was reclassified into additional paid in capital due to the conversion of the principle and accrued interest totaled $50,001. As a result, derivative liability in connection with the Services Note was $0 at June 30, 2017.

Reporting Date	Fair Value	Term (Years)	Assumed Conversion Price	Market Price on Issuance Date	Volatility Percentage	Risk-free Rate
12/31/2016	$ 78,283	0.17	$0.00023	$0.0006	286%	0.0051
4/13/2017	$ 6,084	0.003	$0.00038	$0.0007	297%	0.0076
5/11/2017	$ 30,000	0.003	$0.00040	$0.0012	297%	0.0068
5/18/2017	$ 16,633	0.003	$0.00052	$0.0011	297%	0.0073
6/7/2017	$ 11,021	0.003	$0.00033	$0.0007	297%	0.0084
6/16/2017	$ 6,901	0.003	$0.00030	$0.0006	297%	0.0085

NOTE－5 CONVERTIBLE NOTES PAYABLE (CONT'D)

The Note	
Proceeds	40,000
Less derivative liabilities on initial recognition	(40,000)
Value of the Service Note on initial recognition	0
Add accumulated accretion expense	40,000
Less conversion	(40,000)
Balance as of June 30, 2017	0

At June 30, 2017, the Services Note was converted in full. The Company recorded interest expense of $6,029 related to the Service Note and amortization of debt discounts in amount of $6,904 during the six months ended June 30, 2017.

(3) On April 20, 2017, the Company issued an unrelated Consultant (the "Consultant") a 12% promissory note (the "2017 Services Note") in the principal amount of $45,000 for services rendered in 2017, pursuant to which the Consultant, at his options, is entitled to convert all or any portion of the accrued interest and unpaid principal balance of the 2017 Services Note into the shares of the common stock of the Company at a conversion price of $.0005 per share or 50% of the lowest trading price for the twenty (20) trading days immediately prior to but not including the Conversion Date.

The 2017 Services Note that is convertible at a discount to market is 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 2017 Services Note has been evaluated with respect to the terms and conditions of the conversion features contained in the note 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 2017 Services Note of $45,000, 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 June 30, 2017. For the six months ended June 30, 2017, the Company had changes in derivative liability in connection with the 2017 Services Note by $88,307, resulting in a derivative liability of $133,307 in connection with the 2017 Services Note at June 30, 2017.

NOTE－5 CONVERTIBLE NOTES PAYABLE (CONT'D)

Reporting Date	Fair Value	Term (Years)	Assumed Conversion Price	Market Price on Issuance Date	Volatility Percentage	Risk-free Rate
6/30/2017	$ 133,307	0.81	$0.00025	$0.0008	297%	0.0114

The Note

Proceeds	45,000
Less derivative liabilities on initial recognition	(45,000)
Value of the Service Note on initial recognition	0
Add accumulated accretion expense	8,753
Balance as of June 30, 2017	8,753

At June 30, 2017, the carrying value of the 2017 Services Note was $8,753 and debt discount was $36,247. The Company recorded interest expense of $1,065 related to the 2017 Service Note and amortization of debt discounts in amount of $8,753 during the six months ended June 30, 2017. The 2017 Services Note is due on April 20, 2018.

NOTE－6 DERIVATIVE LIABILITIES

As of June 30, 2017, the Company's derivative liabilities are embedded derivatives associated with the Company's convertible notes payable (see 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 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 $358,083 on June 30, 2017, 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 $40,000 and $80,000 in expenses during the three and six months ended June 30, 2017, respectively. The expenses recognized as officer compensation have been included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

As of June 30, 2017, the balance of accrued officer compensation was $332,785.

NOTE－8 CAPITAL STRUCTURE

As of June 30, 2017, the Company was authorized to issue 2,000,000,000 shares of common stock, $.00001 par value, and 2,000,000 shares of preferred stock, $.00001 par value, of which 1) 900,000 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) 600,000 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) 500,000 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 June 30, 2017, the Company had 700,000 shares of Series A Convertible Preferred Stock, 450,000 shares of Series B Convertible Preferred Stock and 300,000 share of Series C Convertible Preferred Stock issued and outstanding. As of June 30, 2017, the Company had 668,343,552 shares of common stock issued and outstanding.

On February 7, 2017, a portion of principal and accrued interest of the convertible promissory note in amount of $6,000 and $1,227, respectively, were converted into 24,090,000 shares of common stock of the Company at the conversion price of $0.0003 per share.

On April 25, 2017, a portion of principal and accrued interest of the convertible promissory note in amount of $5,486 and $4,464, respectively, were converted into 27,133,897 shares of common stock of the Company at the conversion price of $0.00037 per share.

On May 5, 2017, a portion of principal and accrued interest of the convertible promissory note in amount of $14,514 and $71, respectively, were converted into 33,660,282 shares of common stock of the Company at the conversion price of $0.00043 per share.

On April 13, 2017, the accrued interest of $6,350 of the Services Note, plus $1,000 conversion cost were converted into 19,190,601 shares of common stock of the Company at the conversion price of $0.00038 per share.

On May 11, 2017, a portion of principal of $15,000 of the Services Note were converted into 37,500,000 shares of common stock of the Company at the conversion price of $0.00040 per share.

On May 18, 2017, the accrued interest of $3,477 and a portion of principal of $10,273 of the Services Note, plus $1,000 conversion cost were converted into 28,529,981 shares of common stock of the Company at the conversion price of $0.00052 per share.

On June 7, 2017, the accrued interest of $147 and a portion of principal of $8,853 of the Services Note, plus $1,000 conversion cost were converted into 30,030,031 shares of common stock of the Company at the conversion price of $0.00033 per share.

On June 16, 2017, the accrued interest of $27 and the last portion of principal of $5,874 of the Services Note, plus $1,000 conversion cost were converted into 23,003,335 shares of common stock of the Company at the conversion price of $0.00030 per share.

NOTE－8 CAPITAL STRUCTURE (CONT'D)

On April 25, 2017, the Board of Directors of the Company approved an issuance of 65,000 shares of Series C Convertible Preferred Stock for cash payment of $10,000.

NOTE－9 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 June 30, 2017, the Company had an accumulated deficit of $4,427,900. 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－ 10 SUBSEQUENT EVENTS

In accordance with ASC Topic 855-10, the Company has analyzed its operations subsequent to June 30, 2017 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 July 27, 2017, the Board of Directors of the Company approved to decrease the authorized shares of Series A Convertible Preferred Stock, $.00001 par value, from 900,000 shares to 800,000 shares, and creating Series D Preferred with 100,000 shares authorized, $.00001 par value, within the 2,000,000 shares of preferred stock.

I, William Scott Tudor certify that:

1. I have reviewed the Consolidated Financial Statements for the three and six months ended June 30, 2017 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: August 7, 2017

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