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**Boreal Water Collection Inc.  
Quarterly Report  
September 30, 2011**

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**Item I**

**The exact name of the issuer and its principal executive offices.**

Boreal Water Collection Inc. (BRWC)  
4496 State Road 42N  
Kiamesha Lake, NY 12751  
Phone: 845-794-0400 or 1-866-429-0101 Fax: 845-794-0016  
Web site: www.borealwater.com  
investors@borealwater.com

**Item II**

**The number of shares or total amount of the securities outstanding for each class of securities authorized.**

Period end date; September 30, 2011.

- (i) Number of shares authorized;  
600,000,000.
- (ii) Number of shares outstanding  
295,603,351
- (iii) Freely tradable shares (public float);  
7,343,077
- (iv) Total number of beneficial shareholders;  
Francine Lavoie is the only beneficial shareholder.
- (v) Total number of shareholders on record;  
994 shareholders.

**Item III**

**Interim Financial Statements**

Issuer's financial statements are reviewed by the signing officer of the Company, in that they present fairly, in all material respects, the financial position, as a result of operations and cash flows for the periods presented, in conformity with accounting principles generally accepted in the United States, consistently applied.

Our Unaudited Financial Statements for the fiscal quarter ending September 30, 2011, Notes included, are attached hereto as Exhibit "A" and incorporated herein by this reference.

**Item IV**

**Management's Discussion**

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011  
COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2010

THE DISCUSSION IN THIS SECTION CONTAINS CERTAIN STATEMENTS OF A FORWARD-LOOKING NATURE RELATING TO FUTURE EVENTS OR OUR FUTURE PERFORMANCE. WORDS SUCH AS "ANTICIPATES," "BELIEVES,"

"EXPECTS," "INTENDS," "FUTURE," "MAY" AND SIMILAR EXPRESSIONS OR VARIATIONS OF SUCH WORDS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, BUT ARE NOT THE ONLY MEANS OF IDENTIFYING FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE ONLY PREDICTIONS AND ACTUAL EVENTS OR RESULTS MAY DIFFER MATERIALLY.

IN EVALUATING SUCH STATEMENTS, YOU SHOULD CONSIDER VARIOUS RISK FACTORS, INCLUDING BUT NOT LIMITED TO, THE INHERENT DIFFICULTY IN OPERATING A "GOING CONCERN;" THE EFFECT IF THERE WERE TO BE SIGNIFICANT CHANGES IN MANAGEMENT PERSONNEL; POTENTIAL PRODUCT LIABILITY ISSUES; DIFFICULTY IN MEETING COMPETITOR CHALLENGES SUCH AS THE INTRODUCTION OF NEW PRODUCTS; INCREASED RESEARCH AND DEVELOPMENT AND/OR EQUIPMENT ACQUISITION COSTS; CHANGES IN GENERAL ECONOMIC CONDITIONS AND/OR THE INDUSTRY IN WHICH THE COMPANY COMPETES; CHANGES IN THE QUALITY AND/OR SOURCES OF RAW MATERIALS; MAJOR GOVERNMENT REGULATION CHANGES AND/OR ISSUE(S); FLUCTUATIONS IN WORK FORCE QUALITY AND AVAILABILITY; LABOR DISRUPTIONS (SUCH AS RAW MATERIAL, CONTAINER MANUFACTURE, PRODUCT TRANSPORTATION STOPPAGES OR SLOWDOWNS); ANY OF WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

We report our financial condition (accounting periods) on a calendar quarterly and annual basis. We had sales revenues in this quarter of \$841,381 and \$ 792,905 in the same quarter a year before. We had sales revenues so far this year of \$2,163,312 which is up by 9% compared to last year. We expect our sales volume to increase as customer awareness grows.

Our net income/loss figures for the fiscal quarters ending Sept 30, 2011 and Sept 30, 2010, were \$(678,424) and \$(550,897), respectively. We anticipate that we will see net income, rather than net loss, as we execute our business plan over subsequent fiscal quarters.

As of Sept 30, 2011, we had an accumulated deficit of \$(1,714,272); up from \$ (799,866) on Sept 30, 2010.

We reported gross sales of \$841,381 in the fiscal quarter ended Sept 30, 2011 and \$ 792,905 in the fiscal quarter ended Sept 30, 2010, an increase of 6% in gross sales over last year.

Our cost of sales was \$659,291 this quarter and our gross profit was \$182,090 (a gross margin of 21.6%). We reported cost of sales of \$542,617 in the fiscal quarter ended Sept 30, 2010 with a gross profit of \$250,288 (a gross margin of 31.5%).

Our selling, general and administrative expenses ("SG&A") were \$758,516 in the fiscal quarters ending Sept 30, 2011. We reported our selling, general and administrative expenses of \$731,154 reported in the fiscal quarters ending Sept 30, 2010.

Our advertising and business expense in this quarter was \$ 654. Such expense was \$ 19,894 in the fiscal quarter ending Sept 30, 2010.

We spent \$88,128 on consulting, legal and professional fees in the fiscal quarter ending Sept 30, 2011 and \$74,491 for the same quarter of a year ago.

Our travel expenses were \$3,938 in this fiscal quarter and \$16,910 for the same quarter of 2010.

We spent \$ 0 in this fiscal quarter for research and development and \$ 0 in the quarter ending Sept 30, 2010.

The amounts we paid for salaries through our third quarter of 2011 to \$441,353 compared with \$474,391 in the third quarter of 2010.

We reported interest expense of \$(20,045) in our fiscal quarter ended Sept 30, 2011. Our interest expense in the same quarter in 2010 was \$(27,467). The Company pays interest on obligations as reported in Notes 6 –10 to our reviewed financial statements for this fiscal quarter.

We reported interest income of \$ 0, rental income of \$ 7,600, and gain on sale of equipment of \$ 0 during the quarter ending Sept 30, 2011. Our interest income was \$ 885, rental income \$21,163 and gain from the sale of equipment \$2,000 in the quarter a year earlier.

As described in Note 5 to our reviewed financial statements for the fiscal quarters ending Sept 30, 2011, the Company paid federal income taxes in the amount of \$ 0 compared to \$ 0 during the same period in 2010.

#### LIQUIDITY AND CAPITAL RESOURCES

At Sept 30, 2011, our current assets totaled \$428,436 (including accounts receivable of \$132,850, inventory of \$224,143 and prepaid expenses of \$70,232). Total current liabilities were \$(964,018), consisting of a current portion of capital lease payable of \$ 0, line of credit \$(250,000); accounts payable and accrued expenses of \$(378,480); deferred revenue of \$(12,292) ; amount due to a related party of \$(178,768) and loan due for property taxes of \$(144,479).

Operations for the fiscal quarters ending Sept 30, 2011 required \$(254,792) in cash (compared to \$(232,015) a year earlier). We invested \$(20,908), and \$20,895 for the period last year, This fiscal quarters ending Sept 30, 2011, we had a cash provided by financing activities of \$238,518 compared to last year \$193,492. Our operations were assisted by the proceeds of a loan from our officer in the amount of \$140,882 and by the issuance of common stock for \$143,575. We paid \$70,286 in interest this quarter and \$78,778 in the same quarter of 2010.

**Item V**  
**Legal proceedings**

Information responsive to this Item is contained within Note 12 of the financial statements herein.

**Item VI**  
**Defaults upon senior securities**

None.

**Item VII**  
**Other information**

None.

**Item VIII**  
**Exhibits**

The reviewed financial statements for this quarterly statement, and notes, are attached hereto as Exhibit "A" and incorporated herein by this reference.

**Item IX**  
**Management: The name of the chief executive officer, members of the board of directors, as well as control persons**

**BOREAL WATER COLLECTION, INC.**

**DIRECTORS' RESOLUTION**

**10.26.2011.PRESIDENT.COO**

BE IT KNOWN THAT, on the 26th day of October, 2011, at a duly constituted special meeting of the Directors of Boreal Water Collection, Inc. ("Company"), the following resolution was voted and approved upon motion duly made and seconded.

Upon motion duly made and seconded, the Board appointed Mr. Leonard Yendrys as President and COO of Boreal Water Collection, Inc.

**CERTIFICATION BY SECRETARY**

I am the Secretary of Boreal Water Collection, Inc. I hereby certify that the foregoing is a true and correct copy of the Resolution adopted by the Board of Directors of Boreal Water Collection, Inc. on October 26, 2011, in accordance with the provisions of our Bylaws.

IN WITNESS WHEREOF, I have this 26th day of October, 2011 subscribed my name as Secretary of Boreal Water Collection, Inc. and have caused the corporate seal to be affixed hereto (if such a seal exists).

  
\_\_\_\_\_  
Secretary of Corporation

#### WAIVER OF NOTICE

The undersigned Directors of Boreal Water Collection, Inc. hereby waive notice of the special Directors' meeting held on October 26, 2011. We consent to all actions taken in the meeting. Faxed and electronic signatures are as valid as original signatures hereupon, and may be signed in counterparts.

  
\_\_\_\_\_  
Mrs. Francine Lavoie, Director

#### Item X Issuer's Certifications

I, Francine Lavoie, certify that:

1. I have reviewed this Quarterly Report of Boreal Water Collection, Inc. for the period ending Sept 30, 2011:
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement, and:
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuers as of, and for, the periods presented in this disclosure statement.

**Francine Lavoie,  
Chairman and CEO, Director of  
Boreal Water Collection Inc.**



\_\_\_\_\_  
Dated: November 14, 2011

**EXHIBIT “A” – reviewed quarterly financial statements with notes**

**Boreal Water Collection Inc**  
**BALANCE SHEETS**

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
	(Unaudited)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,211	\$ 38,393
Accounts receivable, less allowance for doubtful accounts of \$16,000 and \$5,500 at September 30, 2011 and December 31, 2010, respectively	-	-
Inventory	132,850	175,960
Prepays	224,143	150,771
Advances to employees	70,232	42,352
	-	400
<b>Total current assets</b>	<b>428,436</b>	<b>407,876</b>
<b>Property and equipment, net of accumulated depreciation</b>	<b>3,385,129</b>	<b>3,535,225</b>
<b>Other assets</b>		
License, net of accumulated amortization	340,666	493,967
Security deposit	29,840	29,840
<b>Total other assets</b>	<b>370,506</b>	<b>523,807</b>
<b>Total assets</b>	<b>\$ 4,184,071</b>	<b>\$ 4,466,908</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Current portion of capital lease payable	\$ -	\$ 12,381
Line of credit	250,000	250,000
Loan payable - property taxes	144,479	-
Accounts payable and accrued expenses	378,480	485,857
Deferred revenue	12,292	9,838
Due to Related Party	178,768	152,326
<b>Total current liabilities</b>	<b>964,018</b>	<b>910,402</b>
Deferred Tax Liability	883,185	883,185
Capital lease payable, net of current portion	-	-
Mortgage payable - bank	1,840,000	1,900,000
<b>Total liabilities</b>	<b>3,687,203</b>	<b>3,693,587</b>
<b>Stockholders' equity</b>		
Common stock, \$.001 par value; 600,000,000 shares authorized, 276,836,633 shares issued and outstanding at September 30, 2011 and December 31, 2010.	276,836	252,152
Additional paid-in capital	1,934,304	1,557,016
Deficit accumulated during the development stage since January 10, 2006 in connection with quasi reorganization	(1,714,272)	(1,035,847)
<b>Total stockholders' equity</b>	<b>496,868</b>	<b>773,321</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,184,071</b>	<b>\$ 4,466,908</b>

**Boreal Water Collection Inc**  
**STATEMENTS OF OPERATIONS**  
(unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Sales</b>	\$ 841,381	\$ 792,905	\$ 2,163,312	\$ 1,981,855
<b>Cost of sales</b>	659,291	542,617	1,695,634	1,418,475
<b>Gross profit</b>	<u>182,090</u>	<u>250,288</u>	<u>467,678</u>	<u>563,380</u>
<b>Operating Expenses</b>				
Selling and general and administrative	424,051	271,072	758,516	731,154
Depreciation and amortization	<u>108,300</u>	<u>107,474</u>	<u>324,900</u>	<u>324,393</u>
<b>Total expenses</b>	<u>532,351</u>	<u>378,546</u>	<u>1,083,416</u>	<u>1,055,547</u>
<b>Net operating income</b>	<u>(350,261)</u>	<u>(128,258)</u>	<u>(615,738)</u>	<u>(492,167)</u>
<b>Other income (expense)</b>				
Interest income	-	184	-	885
Rental income	2,600	7,321	7,600	21,163
Gain on sale of equipment	-	-	-	(2,000)
Interest expense	<u>(20,045)</u>	<u>(27,467)</u>	<u>(70,286)</u>	<u>(78,778)</u>
<b>Total other income (expense)</b>	<u>(17,445)</u>	<u>(19,962)</u>	<u>(62,686)</u>	<u>(58,730)</u>
<b>Net income (loss) before income taxes</b>	(367,706)	(148,220)	(678,424)	(550,897)
<b>Provision for income taxes</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net income (loss)</b>	<u>\$ (367,706)</u>	<u>\$ (148,220)</u>	<u>\$ (678,424)</u>	<u>\$ (550,897)</u>
<b>Net loss per weighted share, basic and fully diluted</b>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<b>Weighted average number of common shares outstanding, basic and fully diluted</b>	<u>289,715,994</u>	<u>250,301,814</u>	<u>252,152,639</u>	<u>264,811,352</u>

The accompanying notes are an integral part of these financial statements.2

**Boreal Water Collection, Inc.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Earnings</u>	
<b>Balance, December 31, 2009</b>	25,605,139	\$ 25,605	\$ 1,312,559	\$ (248,970)	\$ 1,089,194
Common shares issued for cash	43,437,790	43,437	17,618		61,055
Common shares issued in settlement of debt obligations	181,562,210	181,562	73,637		255,199
Common shares issued in settlement of debt obligation and accrued interest	1,547,500	1,548	153,202		154,750
Net loss				(786,878)	(786,878)
<b>Balance, December 31, 2010</b>	252,152,639	\$ 252,152	\$ 1,557,016	\$ (1,035,848)	\$ 773,320
Common shares issued in settlement of debt obligation	5,952,500	5,953	(5,953)		-
Stock-based compensation	3,400,000	3,400	166,600		170,000
Common shares issued for cash	10,000,000	10,000	133,575		143,575
Common stock issued in settlement of unpaid wages	5,331,494	5,331	86,066		91,397
Net loss - September 30, 2011				(678,424)	(678,424)
<b>Balance, September 30, 2011</b>	<u>276,836,633</u>	<u>\$ 276,836</u>	<u>\$ 1,937,304</u>	<u>\$ (1,714,272)</u>	<u>\$ 499,868</u>

**Boreal Water Collection, Inc.**

**STATEMENTS OF CASH FLOWS**

	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash flows from operations</b>		
<b>Net income (loss)</b>	\$ (678,424)	\$ (550,897)
Adjustment to reconcile net loss to net cash:		
Depreciation and amortization	324,900	324,393
Stock-based compensation	261,397	-
Loss (gain) on sale of fixed assets	-	(2,000)
Gain on bargain purchase of assets	-	-
Changes in operating assets and liabilities:		
Accounts receivable	43,110	(68,812)
Inventory	(73,372)	4,638
Employee advances	400	(350)
Deposits	-	-
Accounts payable and accrued expenses	(107,377)	84,448
Deferred revenue	2,454	13,693
Prepaid expenses	(27,880)	(37,128)
<b>Net cash provided by (used for) operating activities</b>	<u>(254,792)</u>	<u>(232,015)</u>
<b>Cash Flows from investing activities</b>		
Purchases of property and equipment	(20,908)	-
Proceeds from sale of equipment	-	20,895
<b>Net cash used for investing activities</b>	<u>(20,908)</u>	<u>20,895</u>
<b>Cash flows from financing activities</b>		
Issuance of common stock	143,575	316,254
Advances from officer, net	-	(255,199)
Due to related party	26,442	2,862
Proceeds from loan from officer	140,882	-
Proceeds from short-term borrowing	-	150,000
Payments on capital lease obligation	(12,381)	(20,425)
Payments against mortgage payable to bank	(60,000)	-
<b>Net cash provided by financing activities</b>	<u>238,518</u>	<u>193,492</u>
<b>Net increase (decrease) in cash</b>	(37,182)	17,628
Cash, beginning of period	38,393	(35,175)
<b>Cash, end of period</b>	<u>\$ 1,211</u>	<u>\$ (17,547)</u>
<b>Supplemental disclosures:</b>		
<b>Cash paid during the year for:</b>		
Interest	<u>\$ 70,286</u>	<u>\$ 78,778</u>
<b>Non-cash investing and financing transactions:</b>		
Issuance of 5,952,500 shares of common stock in connection with the conversion of debt obligation	<u>\$ 5,953</u>	<u>\$ 5,953</u>
Issuance of 5,331,494 shares of common stock in settlement of unpaid wages	<u>\$ 91,397</u>	<u>\$ -</u>

**Boreal Water Collection, Inc.**  
**Notes to Financial Statements**  
**September 30, 2011**

**Note 1—Description of Business and Corporate Information**

Organization

Boreal Water Collection, Inc. (“Boreal” or the “Company”) was incorporated in the State of Nevada on August 21, 2001. The Company is trading on the OTC under the symbol (BRWC.PK).

The Company has operated under various names since incorporation, most recently Canadian Blue Gold, Inc. from October 2007 to March 2008, when the name was changed to Boreal Water Collection, Inc.

In April 2009, the Company acquired the assets of A.T. Reynolds and Sons, Inc., operating as Leisure Time Spring Water (“Leisure”) in Kiamesha Lake, New York. The Company is a personalized bottled water company specializing in premium custom bottled water, as a contract packer of bottled water focused on value-added products and services. The Company currently offers three types of water: spring water, distilled water, enhanced water, which is customized with minerals, oxygen, and fluoride, and a fourth type to be added, sparkling water. The Company was originally founded in 1884.

Accounting period

The Company has adopted an annual accounting period of January through December.

**Note 2—Summary of significant accounting principles**

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements, as well as their related disclosures. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could significantly differ from those estimates.

Cash and cash equivalents

The Company considers short-term interest bearing investments with initial maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of cash in banks, free credit on investment accounts and money market accounts.

Foreign currency translation

The Company complies with Financial Accounting Standard Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 830, “foreign Currency Matters.” Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the year. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

Revenue recognition

In accordance with the FASB ASC Topic 605, “Revenue Recognition,” the Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured.

**Boreal Water Collection, Inc.**  
**Notes to Financial Statements**  
**September 30, 2011**

**Note 2—Summary of significant accounting principles (continued)**

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance are expensed as incurred while betterments and improvements are capitalized. When items are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in operations.

The Company provides for depreciation and amortization over the following estimated useful lives:

Building	40 years
Land improvements	15 years
Machinery and equipment	5-7 years
Computer equipment	3 years
Office equipment	7 years
Trucks and trailers	5 years

Long-Lived Assets

In accordance with FASB ASC Topic 360 "Property, Plant, and Equipment," the Company records impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts.

Fair Value of Financial Instruments

The fair values of the Company's assets and liabilities that qualify as financial instruments under FASB ASC Topic 825, "Financial Instruments," approximate their carrying amounts presented in the accompanying balance sheet at September 30, 2011 and December 31, 2010.

Inventories

Inventory is valued at the lower of cost or market, cost being determined by the first-in, first-out (FIFO) method. Obsolete items are carried at estimated net realizable value.

Earnings per share

The Company complies with the accounting and disclosure requirements of FASB ASC 260, "Earnings Per Share." Basic earnings per common share ("EPS") calculations are determined by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding. During periods when common stock equivalents, if any, are anti-dilutive they are not considered in the computation.

**Boreal Water Collection, Inc.**  
**Notes to Financial Statements**  
**September 30, 2011**

**Note 2—Summary of significant accounting principles (continued)**

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC Topic 740 "Income Taxes," which requires accounting for deferred income taxes under the asset and liability method. Deferred income tax asset and liabilities are computed for difference between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized.

In accordance with GAAP, the Company is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Company files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. state and local jurisdictions. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce net assets. This policy also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities. It must be applied to all existing tax positions upon initial adoption and the cumulative effect, if any, is to be reported as an adjustment to stockholder's equity as of January 1, 2010.

Based on its analysis, the Company has determined that the adoption of this policy did not have a material impact on the Company's financial statements upon adoption. However, management's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

Interest and Penalty Recognition on Unrecognized Tax Benefits

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Comprehensive Income

The Company complies with FASB ASC Topic 220, "Comprehensive Income," which establishes rules for the reporting and display of comprehensive income (loss) and its components. FASB ASC Topic 220 requires the Company' to reflect as a separate component of stockholders' equity items of comprehensive income.

Stock-Based Compensation

The Company complies with FASB ASC Topic 718 "Compensation – Stock Compensation," which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. FASB ASC Topic 718 focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. FASB ASC Topic 718 requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award the requisite service period (usually the vesting period). No compensation costs are recognized for equity instruments for which employees do not render the requisite service. The grant-date fair value of employee share options and similar instruments will be

**Boreal Water Collection, Inc.**  
**Notes to Financial Statements**  
**September 30, 2011**

**Note 2—Summary of significant accounting principles (continued)**

Stock-Based Compensation (continued)

estimated using option-pricing models adjusted for the unique characteristics of those instruments (unless observable market prices for the same or similar instruments are available). If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. No stock options or restricted stock awards were issued to employees or non-employees during the year ended December 31, 2009; as a result, the Company recorded \$261,397 of compensation expense for stock options or restricted stock awards under FASB ASC 718.

Valuation of Investments in Securities at Fair Value—Definition and Hierarchy

FASB ASC Topic 820 “Fair Value Measurements and Disclosures” provides a framework for measuring fair value under generally accepted accounting principles in the United States and requires expanded disclosures regarding fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. In accordance with GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. FASB ASC Topic 820 establishes a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations, as follows:

*Level 1* - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

*Level 2* - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

**Boreal Water Collection, Inc.**  
**Notes to Financial Statements**  
**September 30, 2011**

**Note 2—Summary of significant accounting principles (continued)**

Valuation of Investments in Securities at Fair Value—Definition and Hierarchy (continued)

Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Valuation Techniques

The Company values investments in securities that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

Government Bonds

The fair value of sovereign government bonds is generally based on quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest-rate yield curves, cross-currency-basis index spreads, and country credit spreads similar to the bond in terms of issuer, maturity and seniority.

Certificate of Deposits

The fair values of the bank certificate of deposits are based on the face value of the certificate of deposits

Recently Adopted Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update 2010-06, "Fair Value Measurements and Disclosures (Topic 820) - Improving Disclosures about Fair Value Measurements" (ASU 2010-06), to require new disclosures related to transfers into and out of Levels 1 and 2 of the fair value hierarchy and additional disclosure requirements related to Level 3 measurements. The guidance also clarifies existing fair value measurement disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The additional disclosure requirements are effective for the first reporting period beginning after December 15, 2009, except for the additional disclosure requirements related to Level 3 measurements, which are effective for fiscal years beginning after December 15, 2010. The adoption of the additional requirements is not expected to have any financial impact on the Company's consolidated financial statements.

**Boreal Water Collection, Inc.**  
**Notes to Financial Statements**  
**September 30, 2011**

**Note 2—Summary of significant accounting principles (continued)**

Recently Adopted Accounting Pronouncements (continued)

In April 2010, the FASB issued ASU No. 2010-13, "Compensation - Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades," which addresses the classification of a share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. Topic 718 is amended to clarify that a share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades shall not be considered to contain a market, performance, or service condition. Therefore, such an award is not to be classified as a liability if it otherwise qualifies as equity classification. The amendments in this update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. The cumulative-effect adjustment should be calculated for all awards outstanding as of the beginning of the fiscal year in which the amendments are initially applied, as if the amendments had been applied consistently since the inception of the award. ASU No. 2010-13 is effective for interim and annual periods beginning on or after December 15, 2010 and is not expected to have a material impact on the Company's consolidated financial position or results of operations. The Company adopted the pronouncement on January 1, 2011 resulting in no impact to the Company's consolidated financial statements.

In December 2010, FASB issued ASC ASU 2010-28, "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (Topic 350) — Intangibles — Goodwill and Other." ASU 2010-28 amends the criteria for performing Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires performing Step 2, if qualitative factors indicate that it is more likely than not that goodwill impairment exists. The amendments to this update are effective for us in the first quarter of 2011. Any impairment to be recorded upon adoption will be recognized as an adjustment to our beginning retained earnings. The Company adopted the pronouncement on January 1, 2011 resulting

Concentration of Credit Risk

The Company maintains its cash and cash equivalents in bank deposit accounts, which, at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk related to cash and cash equivalents.

**Note 3—Going concern**

The accompanying financial statements have been prepared assuming that the company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business. Currently, the Company has a minimum cash balance available for the payment of ongoing operating expenses, and its operations is not providing a source of funds from revenues sufficient to cover its operational costs to allow it to continue as a going concern. The continued operations of the Company is dependent upon generating profits from operations and raising sufficient capital through placement of its common stock or issuance of debt securities, which would enable the Company to carry out its business plan.

In the event we do not generate sufficient funds from revenues or financing through the issuance of our common stock or from debt financing, we may be unable to fully implement our business plan and pay our obligations as they become due, any of which circumstances would have a material adverse effect on our business prospects, financial condition, and results of operations. The accompanying financial statements do not include any adjustments that might be required should the company be unable to recover the value of its assets or satisfy its liabilities.

**Boreal Water Collection, Inc.**  
**Notes to Financial Statements**  
**September 30, 2011**

**Note 4—Stockholders' Equity**

In 2009, 928,120 shares of common stock were issued to eight new shareholders for cash, which increased the shares outstanding at December 31, 2009 to 25,605,139 from 24,677,019 at December 31, 2008.

On March 9, 2009, the Company filed a Certificate of Amendment ("Amendment") with the State of Nevada indicating that the Company had authorized a change in its par value from \$.0001 to \$.001 and a reduction in the number of its authorized shares from 5,000,000,000 to 200,000,000. As a result of filing the Amendment, total authorized capital was reduced to \$200,000 from \$500,000.

On August 13, 2010, the Company issued 45,437,790 shares of common stock to its president and chief executive officer for cash, which increased the shares outstanding to 69,042,929.

On August 13, 2010, the Company issued 181,562,210 shares of its common stock in settlement of loans and advances made to the Company by its president and chief executive officer, which increased the shares outstanding to 250,605,139.

On September 2, 2010, the Company filed a Certificate of Amendment ("Amendment") with the State of Nevada indicating that the Company had authorized a change in its par value from \$.001 to \$.0001 and an increase in the number of authorized shares to 350,000,000 from 200,000,000; total authorized capital was reduced to \$35,000 from \$200,000.

On December 31, 2010, the Company issued 1,547,500 shares of its common stock in settlement of a debt obligation and accrued interest against the debt obligation, which increased the shares outstanding to 252,152,639.

On December 13, 2010, the Company filed a Certificate of Amendment ("Amendment") with the State of Nevada indicating that the Company had authorized a change in its par value from \$.0001 to \$.001 and an increase in the number of authorized shares to 600,000,000 from 350,000,000; total authorized capital was increased to \$600,000 from \$350,000.

On January 1, 2011 and May 23, 2011, the Company issued 1,547,500 and 5,652,500 shares of common stock, respectively, in settlement of a loan made to the Company by a third party investor, which increased the shares outstanding to 258,105,139. We valued these shares at \$0.02 per share.

On May 10, 2011, the Company issued 10.0 million shares of its common stock to a third party investor for a cash payment of \$143,575, which increased the shares outstanding to 268,105,139. We valued these shares at \$0.01 per share.

On May 9, 2011, the Company issued 3.4 million shares of its common stock to its employees as bonuses, which increased the shares outstanding to 271,505,139. We valued these shares at \$0.05 per share.

On May 23, 2011, the Company issued 5,331,494 shares to its president and CEO in settlement of unpaid wages, which increased the shares outstanding to 276,836,633. We valued these shares at \$0.02 per share.

**Boreal Water Collection, Inc.**  
**Notes to Financial Statements**  
**September 30, 2011**

**Note 5—Income Taxes**

At September 30, 2011, the Company had approximately \$2.9 million of net operating losses (“NOL”) carry-forwards for federal and state income purposes. These losses are available for future years and expire through 2031. Utilization of these losses may be severely or completely limited if the Company undergoes an ownership change pursuant to Internal Revenue Code Section 382.

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
<b>Deferred tax assets:</b>		
Net operating loss carryforwards	\$ 1,189,000	\$ 898,000
Other temporary differences	-	-
Deferred tax assets	1,189,000	898,000
Less: Valuation allowance	<u>(1,189,000)</u>	<u>(898,000)</u>
<b>Net deferred tax asset</b>	<u>-</u>	<u>-</u>
<b>Deferred tax liabilities:</b>		
Difference between book and tax basis of assets acquired in bargain asset purchase	\$ (883,000)	\$ (883,000)
<b>Net deferred tax assets (liabilities)</b>	<u>\$ (883,000)</u>	<u>\$ (883,000)</u>

The tax effects of temporary differences and carryforwards that give rise to deferred tax assets and liabilities consist of the following:

The Company has taken a 100% valuation allowance against the other timing differences and the deferred asset attributable to the NOL carry-forwards of \$1,189,000 million and \$898,000 million at September 30, 2011 and December 31, 2010, respectively, due to the uncertainty of realizing the future tax benefits. The increase in valuation allowance of \$291,000 is primarily attributable to the Company’s net operating loss during the three month period ended September 30, 2011.

**Boreal Water Collection, Inc.**  
**Notes to Financial Statements**  
**September 30, 2011**

**Note 6—Line of Credit**

During 2009, the Company obtained a line of credit with a commercial bank in the amount of \$250,000. The line of credit is secured by the Company's accounts receivable and inventory. At March 31, 2011 and December 31, 2010 the Company owed \$250,000 against the line of credit at an annual interest rate of 5.25%. On May 31, 2011, the Company entered into a Forebearance Agreement ("Agreement") with the bank; the Agreement was extended on October 3, 2011, which now provides that the bank will forbear from exercising its rights against the Company under the existing Security Agreement and other loan documents until April 3, 2012, provided that there is no default under the Agreement or the Security Agreement.

**Note 7—Short-term Notes Payable**

During the three months ended June 30, 2011, the Company borrowed a total of \$223,120 from several third party investors. The notes represented by these borrowings are non-interest bearing and due on demand. The Company did not borrow any funds from third party investors during the three months ended September 30, 2011.

**Note 8—Mortgage Payable**

In April 2009, the Company acquired the assets of A.T. Reynolds and Sons, Inc. ("Reynolds"), operating as Leisure Time Spring Water ("Leisure") in Kiamesha Lake, New York (See Note 12). In connection with the acquisition of these assets, the Company assumed a \$1.9 million mortgage that was due a commercial bank ("Bank") against a building and land, included as part of the total assets acquired from Reynolds. On April 3, 2009, the Company entered into a Mortgage Consolidation, Modification and Extension Agreement with the Bank. The Company is required to make interest payments only through April 3, 2011, at which time the entire principal balance is due the Bank. Monthly interest is based on 90-day Libor at 4.00%. The \$1.9 million mortgage is personally guaranteed by the Company's chief executive officer. The balance due against this mortgage at September 30, 2011 was \$1,840,000.

**Note 9—Property Taxes**

On May 31, 2011, the Company entered into an agreement with the County of Sullivan for the repayment of past due property taxes. The maximum term of the agreement is twenty-four (24) months, and provides that the Company make a down payment of approximately \$30,000 against the outstanding balance, and make monthly payments of approximately \$8,000 against the remaining balance due of approximately \$192,000 until paid in full.

**Note 10—Related Party**

At September 30, 2011 and December 31, 2010, the Company owed a related party approximately \$178,000 and \$152,000, respectively, for ongoing operating and purchase transactions with the related party company.

During the three and six month periods ended June 30, 2011, the chief executive officer advanced the Company a total of \$63,174 and \$80,654, respectively, for working capital purposes. The advance is non-interest bearing and due on demand. The advance was settled in full during the three month period ended September 30, 2011.

At December 31, 2009, the Company owed its chief executive officer approximately \$255,000 for advances made for working capital purposes. The loan payable to the officer was non-interest bearing and due on demand. On August 13, 2010, the Company issued 181,562,210 shares of common stock to the chief executive officer in full settlement of the debt obligation.

**Boreal Water Collection, Inc.**  
**Notes to Financial Statements**  
**September 30, 2011**

**Note 10—Related Party (continued)**

On May 23, 2011, the Company issued 5,331,494 shares to its president and CEO in settlement of unpaid wages from the year 2011 and 2010. These shares were valued at \$0.02 per share.

**Note 11—Commitments and Contingencies**

The Company is party to a forty year exclusive agreement (“Agreement”), with an original effective date of November 1, 1995, modified on April 25, 2000, to reduce certain minimum guarantee and compensation provisions of the Agreement. The Agreement provides that the Company shall draw not less than seven million (7,000,000) gallons of water from certain springs on an annual basis. During the remainder of the first twenty-five (25) years of the Agreement, the Company pays one cent (\$0.01 per gallon for the first five million (5,000,000) gallons of water drawn and three-fourth of one cent (\$0.0075) for all gallonage thereafter, but not less than \$65,000 per year regardless of the actual gallonage drawn, payable in monthly installments of \$5,416. In event that drought or other conditions reduce the capacity of the springs, so that the springs cannot meet the minimum guarantee, the minimum guarantee shall be reduced in accordance with an agreed to formula. For the last fifteen years of the agreement, which expires October 31, 2035, the Agreement provides that the Company shall pay one and one-quarter cents (\$0.0125) per gallon for the first five million (5,000,000) gallons and for gallons thereafter the Company shall pay one cent (\$0.01) per gallon, with an annual minimum of \$82,500, payable in monthly installments of \$6,875. The Company is responsible for all maintenance and repairs, utilities, and capital improvement costs incurred in connection with the water collection facility, which includes storage tanks, a pump building, piping, and other related equipment necessary for and related to the harvesting of water from the springs. The Agreement also provides that the owner of springs may sell water from the springs under certain conditions, provided, however, that the charge per gallon sold shall not be less than the price per gallon paid by the Company, with such proceeds divided equally between the Company and the owner. The Company has an option of first refusal in the event that the owner enters into an agreement for the sale of all or a portion of the real property, which includes the springs located on the real property. Upon execution of a valid binding contract between the owner and a third party, which contract shall be made subject to the terms of the option, the owner shall provide the Company a copy of the contract and it shall have thirty (30) days from date of delivery or mailing within which to exercise its option by delivering to the owner a check in the amount of the contract deposit, in which event the owner and the Company shall be bound by the contract sale.

The future minimum payments due under the terms of the Agreement are as follows:

<b>Years Ending December 31,</b>		
2011	\$	16,000
2012		65,000
2013		65,000
214		65,000
2015		65,000
Thereafter		1,486,667
		\$ 1,762,667

**Boreal Water Collection, Inc.**  
**Notes to Financial Statements**  
**September 30, 2011**

**Note 12—Litigation**

On October 16, 2009, 3090-825 Québec Inc., the majority shareholder of the Company, was named in a lawsuit by the former chief executive officer of the Company, seeking \$150,000 CDN for the alleged nonpayment for the shares it purchased from him. The Company was not named in the lawsuit, but could have been called as an intervener in the case. The case was settled out of court and closing documents were filed with the court on September 1, 2010.

On April 20, 2009, Dowser, LLC (“Dowser”) commenced action against the Company and Boreal Water, Inc., as defendants in the United States District Court for the Southern District of New York, alleging breach of contract arising out of the Company’s purchase of certain assets in the Chapter 11 Bankruptcy Case in Re A.T. Reynolds & Sons, inc. Case No. 08-37739 (cgm), pending in the United States Bankruptcy Court, Southern District of New York, Poughkeepsie Division (“Reynolds Bankruptcy”). As alleged in its complaint, Dowser seeks alleged “actual and consequential damages in the amount to be determined at trial, but believe to exceed \$3.5 million plus interest.

On June 12, 2009, the Company submitted its answer in the Dowser Action, denying liability and asserting various affirmative defenses, including, among other things, failure to condition precedent and the Bankruptcy Court Orders regarding the sale of the assets to the Company. The Company intends to vigorously defend the Dowser Action, whether in the District Court, or in the Poughkeepsie Bankruptcy Court. Management believes the lawsuit is without merit; however, the outcome of any litigation is inherently uncertain, and if decided adversely to the Company, the Company may be subject to liability that could have a material adverse affect on the Company’s financial position, liquidity, and results of operations.

One of the attorneys with the firm that has been defending the Company has been identified as a potential witness in the Dowser action and the law firm has withdrawn as counsel for the Company, with the Company’s knowledge and consent. The Company engaged new counsel on March 15, 2011.

In 2009, Joel Sens asserted that the Company was liable for breach of a letter of intent to purchase his share of a corporation which held ownership rights to a mineral spring in Virginia. He sought damages in the amount of \$100,000. The case was settled and a dismissal order was filed on May 19, 2010. The settlement terms are confidential and had no material adverse affect on the Company’s financial position, liquidity, and results of operations.

The Company may be defendant in various suits and claims that arise in the normal course of business. In the opinion of management, the ultimate disposition of these other suits and claims will have no material affect on the Company’s financial position, liquidity, or results of operations.