WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES

(DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCEPTION (SEPTEMBER 17, 2009)

THROUGH DECEMBER 31, 2011

(UNAUDITED)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
(DEVELOPMENT STAGE ENTERPRISE)
Consolidated Balance Sheets
As of December 31, 2011 and 2010
(Unaudited)

ASSETS	December 31, 2011	December 31, 2010
CURRENT ASSETS		
Cash and cash equivalents	$ 4,821	$ 1
Inventory	33,077	35,000
Other receivable	5,000	—
TOTAL CURRNET ASSETS	42,898	35,001
INTANGIBLE ASSETS		
Trademark, net of amortization	10,000	10,000
Patent, net of amortization	11,467	—
NET INTANGIBLE ASSETS	21,467	10,000
TOTAL ASSETS	$ 64,365	$ 45,001
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable - related parties	$ 10,527	$ 9,535
Notes payable	—	128,047
Accrued officer compensation	149,655	66,900
Due to related parties	6,214	620
Due to third parties	41,600	4,025
Other payables and accrued expenses	27,434	2,836
TOTAL CURRENT LIABILITIES	235,430	211,963
TOTAL LIABILITIES	$ 235,430	$ 211,963
STOCKHOLDERS' (DEFICIT)		
Preferred stock (par value $.00001, 2,000,000 shares authorized, none of which issued and outstanding as of December 31, 2011 and 2010, respectively)	—	—
Common stock (par value $.00001, 5,000,000,000 shares authorized, of which 62,813,284 and 31,328,284 shares issued and outstanding as of December 31, 2011 and 2010, respectively)	628	313
Additional paid in capital	699,355	270
Deferred compensation	(56,667)	—
Retained earnings (deficit)	(814,381)	(167,545)
TOTAL STOCKHOLDERS' (DEFICIT)	(171,065)	(166,962)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	$ 64,365	$ 45,001

The accompanying notes are an integral part of these financial statements

WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
(DEVELOPMENT STAGE ENTERPRISE)
Consolidated Statements of Operations
For the Years Ended December 31, 2011 and 2010
and the Period from Inception (September 17, 2009) through December 31, 2011
(Unaudited)

	Years ended December 31, 2011	Years ended December 31, 2010	Period from Inception (September 17, 2009) through December 31, 2011
Revenues			
Sales	$ 5,660	$ —	$ 5,660
Cost of sales	4,319	—	4,319
Gross profit	1,341	—	1,341
Operating expenses			
Selling General and Administrative	146,521	112,123	290,016
Stock based compensation	41,333	—	41,333
Total operating expenses	187,854	112,123	331,349
Income (Loss) from Operations	(186,513)	(112,123)	(330,008)
Other income (expenses)			
Joint venture loss	(46,230)	—	(46,230)
Gain from debt forgiveness	4,025	—	4,025
Interest expenses	(1,515)	(24,050)	(25,565)
Loss on extinguishment of convertible debt	(416,603)	—	(416,603)
Total other income (loss)	(460,323)	(24,050)	(484,373)
Income (loss) before income taxes	(646,836)	(136,173)	(814,381)
Income taxes	—	—	—
Net Income (Loss)	$ (646,836)	$ (136,173)	$ (814,381)
Earnings (loss) per share			
Basic	$ (0.01)	**	$ (0.02)
Weighted average number of shares outstanding			
Basic	45,911,728	31,328,284	37,699,692

** Less than $.01

The accompanying notes are an integral part of the financial statements

WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
(DEVELOPMENT STAGE ENTERPRISE)
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010
and the Period from Inception (September 17, 2009) through December 31, 2011
(Unaudited)

	Years ended December 31, 2011	Years ended December 31, 2010	Period from Inception (September 17, 2009) through December 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (646,836)	$ (136,173)	$ (814,381)
Adjustments to reconcile net income (loss) to net cash (used in) operating activities:			
Gain from debt forgiveness	(4,025)	—	(4,025)
Loss on extinguishment of convertible debt	416,603	—	416,603
Loss on joint venture project	46,230	—	46,230
Common stock issued for interest	750	—	750
Common stock issued for services	41,333	—	41,333
Changes in operating assets and liabilities:			
Inventory	1,923	—	(33,077)
Other receivable	(5,000)	—	(5,000)
Interest payable	765	24,050	24,815
Accrued officer compensation	82,755	66,900	149,655
Other payables and accrued expenses	23,833	19,877	43,709
NET CASH (USED IN) OPERATING ACTIVITIES	(41,669)	(25,346)	(133,388)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of trademark	—	—	(10,000)
Purchase of patent	(11,467)	—	(11,467)
Investment in Joint Venture	(46,230)	—	(46,230)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(57,697)	—	(67,697)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Due to shareholders	5,594	620	6,214
Proceeds from notes payable - related parties	15,992	9,940	113,067
Proceeds from issuance of shares	17,500	—	17,500
Proceeds from debt settlement	23,500	—	23,500
Due to third parties	41,600	4,025	45,625
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	104,186	14,585	205,906
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,820	(10,761)	4,821
CASH AND CASH EQUIVALENTS:			
Beginning of period	1	10,762	—
End of period	$ 4,821	$ 1	$ 4,821
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	$ —	$ —	$ —
Cash paid for interest	$ —	$ —	$ —
Non-cash transactions:			
Common stock issued for settlement of notes payable	$ 143,047	$ —	$ 143,047
Common stock issued for services	$ 41,333	$ —	$ 41,333
Common stock issued for interest	$ 750	$ —	$ 750

The accompanying notes are an integral part of these financial statements

WATER TECHNOLOGIES INTERNATIONAL INC. AND SUBSIDIARIES
(DEVELOPMENT STAGE ENTERPRISE)
Consolidated Statement of Equity (Deficit)
For the Period from Inception (September 17, 2009) through December 31, 2011
(UNAUDITED)

	Preferred Stock		Common Stock		Additional Paid-in	Deferred	Retained Earnings	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Compensation	(Deficit)	(Deficit)
Balance, September 17, 2009 (Inception)	—	$ —	—	$ —	$ —		$ —	$ —
Reorganization	—	—	31,328,284	313	270			583
Net (loss)							(31,373)	(31,373)
Balance, December 31, 2009	—	$ —	31,328,284	$ 313	$ 270		$ (31,373)	$ (30,790)
Net (loss)							(136,172)	(136,172)
Balance, December 31, 2010	—	$ —	31,328,284	$ 313	$ 270		$(167,545)	$ (166,962)
Common stock issued for debt settlement	—	—	17,100,000	171	39,329			39,500
Proceeds from sales of shares	—	—	1,200,000	12	17,488			17,500
Common stock issued for services	—	—	500,000	5	74,995	(37,500)		37,500
Common stock issued for services	—	—	200,000	2	22,998	(19,167)		3,833
Common stock issued for convertible note	—	—	750,000	8	74,992			75,000
Common stock issued for debt settlement	—	—	11,735,000	117	469,283			469,400
Net (loss)							(646,836)	(646,836)
Balance, December 31, 2011	—	$ —	62,813,284	$ 628	$699,355	$ (56,667)	$(814,381)	$ (171,065)

The accompanying notes are an integral part of these financial statements

NOTE－1 BASIS OF PRESENTATION

Development Stage Company

Water Technologies International Inc. (the "Company") devotes substantially all of its efforts to establishing a new business, and there has been no significant revenue therefrom since incorporation. Accordingly, the Company's activities have been accounted for as those of a "Development Stage Enterprise" as set forth in Financial Accounting Standards Board Accounting Standard Codes 915 ("ASC 915"). Among the disclosures required by ASC 915 are that the Company's financial statements be identified as those of a development stage company, and that the statements of operations, stockholders' equity and cash flows disclose activity since the date of the Company's inception.

NOTE－2 ORGANIZATION AND BUSINESS BACKGROUND

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;

NOTE－2 ORGANIZATION AND BUSINESS BACKGROUND (CONT'D)

(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－3 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.

Use of Estimates

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable is reported on the balance sheet at gross amounts due to the Company. Management closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectible. The Company had no accounts receivable as of December 31, 2011 and 2010, respectively.

Inventory

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

NOTE－3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property and Equipment

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

Intangibles Assets

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

Investment in Joint Venture

The Company accounts for investment in Joint Venture under ASC 323, *"Investments – Equity Method and Joint Ventures"*. Accordingly, the Company applies the equity method to reflect the underlying nature of its investment in the joint ventures. The Company recognizes its share of the earnings and losses of the investee in the periods in which they are reflected in the accounts of the investee. A detailed information regarding investment in Joint Venture has been identified in Note 5 in the financial statements.

Related Parties

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Companies are also considered to be related if they are subject to common control or common significant influence. A material related party transaction has been identified in Note 6 and Note 9 in the financial statements.

Fair Value of Financial Instruments

The Company values its financial instruments as required by ASC 825, *"Disclosures about Fair Value of Financial Instruments"*. The estimated fair value amounts have been determined by the Company, using available market information and appropriate valuation methodologies. The estimates presented herein are not necessarily indicative of amounts that the Company could realize in a current market exchange.

The Company's financial instruments primarily include cash and cash equivalents, inventories, notes payable, other payables and accrued liabilities.

As of the balance sheet date, the estimated fair values of financial instruments were not materially different from their carrying values as presented due to short maturities of these instruments.

NOTE－3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Income Taxes

The Company accounts for income taxes under Section 740-10-30 of the Accounting Standards Codification. Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date.

Loss per Share

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

Subsequent Events

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

Recent Accounting Pronouncements

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

In May 2011, FASB issued Accounting Standards Update No. 2011-04, *"Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs"* ("ASU 2011-04"). ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. The Company anticipates that the adoption of this standard will not materially expand its financial statement note disclosures.

NOTE－4 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 application was pending as of December 31, 2011. Legal fees and other costs associated with obtaining these patents were capitalized in amount of $11,467 as of December 31, 2011, which will be amortized over the life of the patents using the straight-line method after the approval.

In November 2009, the Company filed a trademark application for the Atmospheric Water Generator ("AWG") and filtration units with United States Patent and Trademark Office. The application was pending as of December 31, 2011. Legal fees and other costs associated with obtaining the trademark were capitalized in amount of $10,000 as of December 31, 2011, which will be amortized over the life of the trademark using the straight-line method after the approval.

NOTE－5 INVESTMENT IN JOINT VENTURE

On June 11, 2011, the Company entered into a joint venture agreement (the "JV Agreement") between and among the Company and Waterpure International Inc. ("Waterpure"), a Florida corporation publicly traded on the Over-The-Counter market under the symbol "WPUR". Pursuant to the JV Agreement, the Company and Waterpure contractually agreed to share control of constructing and selling of small AWG at a ratio of 50:50, and each party will contribute up to $50,000 to accomplish the Joint Venture project. During the fourth quarter of 2011, the Joint Venture project was terminated. Upon the date of termination, the Company contributed total $46,230, net of investment returned, into the Joint Venture project, which was recorded as Joint Venture loss in the accompanying Condensed Consolidated Statements of Operations for the year ended December 31, 2011.

NOTE－6 NOTES PAYABLE – RELATED PARTIES

Since inception, the Company had Selling General and Administrative expense of $290,016 incurred from period to period in connection with the Company's daily operation, including but not limited to, consulting and advising fees, accounting fees, officer compensation, rent, website development and others.

Within total Selling General and Administrative expense since inception, as of December 31, 2011, $25,527 was paid by Aqua Pure International Management Group LLC, a related party owned by the Company's Chief Executive Officer. The related party agreed to pay for the Company's operating expenses up to $50,000, of which $15,000 was evidenced by a convertible promissory note, dated on June 17, 2011 and due on March 17, 2012 ("Note 1"), and $9,500 was evidence by a convertible promissory note, dated March 7, 2011 and due on March 6, 2012 ("Note 2). The holder of the Notes has an option to convert all or any portion of the accrued interest and unpaid principal balance of the Notes into the common stock of the Company or his successors, at a price of $.25 per share, or some other price mutually agreed upon. Both notes bear interest at an interest rate of 10% per annum. Accordingly, the Company recorded interest expenses of $1,515 for the year ended December 31, 2011.

NOTE－6 NOTES PAYABLE – RELATED PARTIES (CONT'D)

On October 10, 2011, the Company issued 750,000 shares of common stock to said note holder to settle Note 1 including the principal of $15,000, and accrued interest of $750. The conversion price of $.02 per share was deemed reasonable and authorized by the Board of Directors on the grant date.

The fair value of this stock issuance was determined using the fair value of the Company's common stock on the grant date, at a market quoted price of $.10. The difference between the fair market value and the conversion price of $.02 per share was recognized as loss on extinguishment of convertible debt.

Accordingly, the balance of notes payable to related parties was $10,527 as of December 31, 2011.

Note 2 was subsequently converted into 400,000 shares of Common Stock during the first quarter of 2012 (see Note 14).

NOTE－7 NOTES PAYABLE

The Company entered into a Demand Convertible Promissory Note on March 4, 2010 with Paradise Capital Group ("PCG")(the "PCG Note"), pursuant to which PCG agreed to loan the Company up to $100,000 at an interest rate of 8.50% per annum and due and payable on demand. Interest on the unpaid principal balance of the PCG Note shall accrue from the date funds have been advanced and shall continue to accrue until all unpaid principal and interest is paid in full. The holder of the PCG Note has an option to convert all or any portion of the accrued interest and unpaid principal balance of the PCG Note into the Common Stock of the Company or his successors, at a conversion price which is equivalent to a 75% discount from the previous day's closing bid price for the day immediately prior to the delivery of the Conversion Notice.

As of September 30, 2011, the balance of the PCG Note was $88,547, consisting of principal of $78,232 and accrued interest of $10,315.

On October 17, 2011, the Company issued 11,735,000 shares of common stock to PCG Note holder for settlement including the principal of $78,232 and accrued interest of $10,315. The conversion price of $.0075 per share represented a 75% discount from the previous day's closing bid price for the day immediately prior to the delivery of the Conversion Notice.

The fair value of this stock issuance was determined using the fair value of the Company's common stock on the grant date, at a market quoted price of $.04. The difference between the fair market value and the conversion price of $.0075 per share was recognized as loss on extinguishment of convertible debt.

NOTE－8 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 $5,000 per month before 2011 and $8,000 per month since 2011. Accordingly, the Company recognized a total of $96,000 in expenses during the year ended December 31, 2011. The expenses recognized as officer compensation have been included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations. As of December 31, 2011, the outstanding balance of accrued officer compensation was $149,655.

NOTE－9 DUE TO RELATED PARTIES

In addition, the Company had outstanding balances of $6,214 due to the Company's Chief Executive Officer as of December 31, 2011. The fund borrowed from the Company's Chief Executive Officer was neither evidenced by any promissory note, nor bearing any interest, which was an oral agreement between the Chief Executive Officer and the Company and due on demand.

NOTE－10 DUE TO THIRD PARTIES

As of December 31, 2011, the Company had outstanding balance of $41,600 due to third parties, of which $36,600 was in connection with the investment in our Joint Venture project. The funds invested are not evidenced by a promissory note, and do not bear any interest. The balance is due on demand.

NOTE－11 CAPITAL TRANSACTIONS

On June 20, 2011, the Company effected a one-for-twenty (1-20) Reverse Split of the outstanding shares of the Company's common stock. The number of outstanding shares of the Company's common stock was decreased from 968,564,353 to 48,428,284 shares and par value of its common stock remained unchanged at $0.00001.

The statement of equity and the loss per share numbers in the financial statements have been restated per ASC 505 and ASC 260.

On May 5, 2011, the Company issued 29,157,931 shares of Company's Common Stock to the GR8 shareholders in exchange for 26,100,000 shares of GR8 Common Stock, pursuant to the Plan of Exchange.

On May 5, 2011, the promissory notes in amount of total $39,500 were converted into 17,100,000 shares of the Company's Common Stock at the price of $.002 per share.

On June 22, 2011, the Board of Directors of the Company approved the issuance of 700,000 shares of the Company's Common Stock in exchange for cash payment of $10,000 made by an investor.

NOTE－11 CAPITAL TRANSACTIONS (CONT'D)

On October 13, 2011, the Board of Directors of the Company approved the issuance of 500,000 shares of the Company's Common Stock in exchange for cash payment of $7,500 made by an investor.

On October 10, 2011, the promissory note in amount of total $15,000, plus accrued interest of $750, payable to Aqua Pure International Management Group LLC was converted into 750,000 shares of the Company's Common Stock at the price of $.02 per share.

On October 17, 2011, the PCG Note, which had a balance of $88,547, consisting of principal of $78,232 and accrued interest of $10,315, was converted into 11,735,000 shares of the Company's Common Stock at the price of $.0075 per share.

NOTE - 12 STOCK BASED COMPENSATION

On June 29, 2011, the Company entered into a consulting service agreement with a Consultant for business advisory services in exchange for 500,000 shares of Common Stock of the Company. The agreement had a term of one year effective from July 1, 2011 ending June 30, 2012. 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 $0.15 per share. Accordingly, the Company calculated the stock based compensation of $75,000 at its fair value and booked pro rata within the relative service periods. For the year ended December 31, 2011, the Company recognized $37,500 to the consolidated statements of operations. The unrecognized compensation was recorded as deferred compensation amounting to $37,500 as of December 31, 2011. The transaction was independently negotiated between the Company and the Consultant. 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 stock based compensation preserved the limited cash available currently in the Company.

On September 6, 2011, the Company entered into an agreement with a Security Attorney for legal advisory services in exchange for 200,000 shares of Common Stock of the Company. The agreement had a term of two years effective from September 1, 2011 ending August 31, 2013. 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 $0.115 per share. Accordingly, the Company calculated the stock based compensation of $23,000 at its fair value and booked pro rata within the relative service periods. For the year ended December 31, 2011, the Company recognized $3,833 to the consolidated statements of operations. The unrecognized compensation was recorded as deferred compensation amounting to $19,167 as of December 31, 2011. The transaction was independently negotiated between the Company and the Consultant. 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 stock based compensation preserved the limited cash available currently in the Company.

NOTE－13 GOING CONCERN

The Company's financial statements are prepared using GAAP applicable to a going concern that contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not earned sufficient revenue to cover its operating costs. The Company will engage in very limited activities without incurring any liabilities that must be satisfied in cash until a source of funding is secured. The Company will offer noncash consideration and seek 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－14 SUBSEQUENT EVENTS

On February 1, 2012, the Board of Directors of the Company approved the issuance of 1,000,000 shares of the Company’s Common Stock in exchange for cash payment of $25,000 made by an investor.

During the first quarter of 2012, the promissory note in amount of total $10,000 payable to Aqua Pure International Management Group LLC was converted into common shares of the Company at the price of $.025 per share, for a total of 400,000 shares.

I, William Scott Tudor certify that:

1. I have reviewed the Consolidated Financial Statements year ended December 31, 2011 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: February 17, 2012

CEO

William Scott Tudor
Chief Executive Officer