

ALKAME HOLDINGS, INC.  
Form 10-Q  
October 31, 2018

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended **June 30, 2016**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **333-175044**

**Alkame Holdings, Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation organization)

**98-0661455**

(I.R.S. Employer Identification No.)

**3651 Lindell Road, Suite D #356, Las Vegas, NV 89103**

(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: **702-273-9714**

---

(Former name, former address and former fiscal year, if changed since last report)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [ ]  
No [X]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

<b>Large accelerated filer</b>	[ ]	<b>Accelerated filer</b>	[ ]
<b>Non-accelerated filer</b>	[ ]	<b>Smaller reporting company</b>	[ X ]
		<b>Emerging growth company</b>	[ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provide pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: **5,500,000,000 common shares as of October 26, 2018.**

## INDEX

		Page
PART I.	FINANCIAL INFORMATION	
	ITEM 1	Financial Statements
		Condensed consolidated balance sheets as of June 30, 2016 (unaudited) and December 31, 2015
		F-1
		Condensed consolidated statements of operations for the three and six months ended June 30, 2016 and 2015 (unaudited)
		F-2
		Condensed consolidated statements of cash flows for the six months ended June 30, 2016 and 2015 (unaudited)
		F-3
		Notes to condensed consolidated financial statements (unaudited)
		F4 - F32
	ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
		38 - 42
	ITEM 3.	Quantitative and Qualitative Disclosures about Market Risk
		42
	ITEM 4.	Controls and Procedures
		42
PART II.	OTHER INFORMATION	
	ITEM 1.	Legal Proceedings
		43
	ITEM 1A.	Risk Factors
		43
	ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds
		43
	ITEM 3.	Defaults Upon Senior Securities
		45
	ITEM 4.	Mine Safety Disclosures
		45
	ITEM 5.	Other Information
		45
	ITEM 6.	Exhibits
		45



**PART 1 - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

*Forward Looking Statements*

This quarterly report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, should, expect, plan, anticipate, believe, estimate, predict, potential or continue or the negative of the comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, any of which may cause our company's or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks include, by way of example and not in limitation:

.  
the uncertainty that we will not be able to successfully execute our business plan;

.  
risks related to the large number of established and well-financed entities that are actively seeking suitable business opportunities;

.  
risks related to the failure to successfully manage or achieve growth of a new business opportunity; and

.  
other risks and uncertainties related to our business strategy.

This list is not an exhaustive list of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on our forward-looking statements.

Forward looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made, and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our unaudited condensed consolidated financial statements are stated in United States dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended June 30, 2016, are not necessarily indicative of the results that can be expected for the full year.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to common stock refer to the common shares in our capital stock.

As used in this quarterly report, the terms we , us , our , our company and Alkame mean Alkame Holdings, Inc., otherwise stated.

ALKAME HOLDINGS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2016 <u>(Unaudited)</u>	December 31, 2015
<u>ASSETS</u>		
Current assets:		
	\$	\$
Cash	35,745	-
Accounts receivable (net of reserve for bad debts of \$9,498 and \$161,000, respectively)	52,799	28,238
Other receivable	5,710	18,000
Prepaid expenses	3,556	7,000
Inventory	35,368	59,904
Total current assets	133,178	113,142
Fixed and intangible assets:		
Manufacturing equipment, net	100,922	122,829
Software	8,998	11,997
Intangible assets, net	535	1,662
Fixed and intangible assets, net	110,455	136,488
Other assets:		
Deferred finance costs	1,931	5,513
Total other assets	1,931	5,513
	\$	\$
Total assets	245,564	255,143
<u>LIABILITIES AND STOCKHOLDERS DEFICIT</u>		
Current liabilities:		
	\$	\$
Cash overdraft	-	2,448
Accounts payable and accrued expenses	718,024	727,290
Accrued interest	183,626	272,391
Accrued compensation	621,945	513,480
Customer deposits	-	17,170
Legal obligations	120,000	120,000
Accrued contingencies	134,000	-
Loans from officer	25,334	26,456
Notes payable (net of debt discount of \$17,570 and \$35,095, respectively)	177,438	991,119
Note due Xtreme Shareholders	164,000	183,000
Convertible debt (net of debt discount of \$63,726 and \$27,411, respectively)	685,025	552,479
Derivative instrument liability	868,906	1,046,635

Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

Total current liabilities	3,698,298	4,452,468
Long-term liabilities:		
Notes payable - long term	93,700	24,573
Convertible debt - long term (net of debt discount of \$-0- and \$25,847, respectively)	-	29,486
Total long-term liabilities	93,700	54,059
Total liabilities	3,791,998	4,506,527
Commitments and contingencies	-	-
Stockholders' deficit:		
Preferred stock - \$0.001 par value, authorized - 100,000,000 shares; Series A Convertible Preferred stock - \$0.001 par value, 12,000,000 shares designated; issued and outstanding - 12,000,000 and 12,000,000 shares, respectively	12,000	12,000
Series B Convertible Preferred stock - \$0.001 par value, 70,000,000 shares designated; issued and outstanding - 65,398,334 and 65,398,334 shares, respectively	65,398	65,398
Series C Convertible Preferred stock - \$0.001 par value, 10,000,000 shares designated; issued and outstanding 0 shares	-	-
Series D Convertible Preferred stock - \$0.001 par value, 4,000,000 shares designated; issued and outstanding - 2,000,000 and 2,000,000 shares, respectively	2,000	2,000
Series E Convertible Preferred stock - \$1 par value, 1,250,000 shares designated; issued and outstanding 0 shares	-	-
Common stock - \$0.001 par value, authorized 5,500,000,000 and 900,000,000 shares, respectively; issued and outstanding 636,528,654 and 198,485,547 shares, respectively	636,529	198,486
Common stock to be issued	13,500	13,500
Series C Convertible Preferred Stock to be issued	1,425,000	1,425,000
Series E Convertible Preferred stock to be issued	1,250,000	-
Additional paid-in capital	6,764,238	7,010,488
Accumulated deficit	(13,715,100)	(12,978,256)
Total stockholders' deficit	(3,546,434)	(4,251,384)
	\$	\$
Total liabilities and stockholders' deficit	245,564	255,143

See accompanying notes to the unaudited condensed consolidated financial statements





ALKAME HOLDINGS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	\$	\$	\$	\$
Revenues	47,670	307,245	121,643	601,251
Cost of sales	52,584	235,250	103,745	459,903
Gross (loss) profit	(4,914)	71,995	17,898	141,348
Operating expenses:				
Selling expenses	43,483	171,534	74,869	443,286
General and administrative	87,786	228,746	204,297	540,548
Depreciation and amortization	1,915	47,197	4,125	83,934
Total operating expenses	133,184	447,477	283,292	1,067,768
Loss from operations	(138,098)	(375,482)	(265,394)	(926,420)
Other Income / (Expense):				
Amortization of deferred financing costs	(1,042)	(16,914)	(3,640)	(63,369)
Interest expense	(103,206)	(31,970)	(382,078)	(75,422)
Amortization of beneficial conversion feature	(34,834)	(159,055)	(89,587)	(466,787)
Gain (loss) on change in fair value of derivative liability	1,030,897	(30,631)	177,729	152,015
Gain (loss) on settlement of debt	(173,875)	(7,043)	(173,875)	731
Total other income (expenses)	717,940	(245,613)	(471,451)	(452,832)
	\$	\$	\$	\$
Net income (loss) applicable to common stock holders	579,842	(621,095)	(736,845)	(1,379,252)
Per share data				
	\$	\$	\$	\$
Net income (loss) per share - basic	0.00	(0.00)	(0.00)	(0.01)
Net income (loss) per share - diluted	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.01)

Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

Weighted average number of shares outstanding - basic	593,842,390	149,919,869	458,052,590	121,014,696
Weighted average number of shares outstanding- diluted	5,500,000,000	149,919,869	458,052,590	121,014,696

See accompanying notes to the unaudited condensed consolidated financial statements

F-2

ALKAME HOLDINGS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	For the Six Months Ended	
	June 30, 2016	June 30, 2015
Cash flows from operating activities:		
Net loss	\$ (736,845)	\$ (1,379,252)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debts	(2,500)	2,000
Depreciation and amortization	26,032	85,454
Amortization debt discount	93,086	466,787
Change in fair value of derivative liability	(177,729)	(152,014)
Liquidated damages and default penalties	272,641	-
Amortization of prepaid expenses	3,444	174,000
Amortization of deferred financing costs	3,640	63,369
Loss on extinguishment of debt	173,875	-
Changes in operating asset and liability account balances:		
Accounts receivable	(22,061)	(69,453)
Other receivable	12,290	(23,611)
Pre-acquisition loans to Xtreme due from former shareholders	-	(18,022)
Inventory	24,536	(9,258)
Customer deposit	(17,170)	-
Accrued interest	105,619	73,602
Accounts payable and accrued expenses	196,155	352,525
Total adjustments	691,858	945,379
Net cash used in operating activities	(44,987)	(433,873)
Cash flows from investing activities		
Payment of purchase consideration to Xtreme Technologies, Inc.	-	(45,100)
Cash acquired from Xtreme Technologies, Inc.	-	13,287
Funds spent on potential joint venture	-	(12,130)
Purchase of equipment	-	(43,395)
Net cash used in investing activities	-	(87,338)
Cash flows from financing activities:		
Cash overdraft	(2,448)	-
(Repayment) proceeds from officer loans	(1,122)	22,967
Proceeds of financing costs	-	(22,783)
Proceeds from convertible notes payable	-	353,833
Payments of notes payable	(9,398)	(3,754)

Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

Proceeds from notes payable	93,700	-
Net cash provided by financing activities	80,732	350,263
Net increase (decrease) in cash	35,745	(170,948)
Cash at beginning of period	-	172,730
	\$	\$
Cash at end of period	35,745	1,782
Supplemental Schedule of Cash Flow Information:		
	\$	\$
Cash paid for interest	457	2,246
	\$	\$
Cash paid for income taxes	-	-
Supplemental Schedules of Noncash Investing and Financing Activities:		
	\$	\$
Conversion of convertible debt and accrued interest to common stock	79,401	314,653
	\$	\$
Common stock issued to settle accounts payable	29,862	363,515
	\$	\$
Payment made by EROP to noteholders on Company's behalf	19,000	241,000
	\$	\$
Assets taken over and liabilities assumed from Xtreme Technologies, Inc. acquisition	-	2,050,000
	\$	\$
Convertible note payable issued to settle accounts payable	82,530	-
	\$	\$
Beneficial conversion feature on convertible debt	82,530	353,832
	\$	\$
Series E Convertible Preferred stock issued to settle notes payable and accrued interest	1,250,000	-

See accompanying notes to the unaudited condensed consolidated financial statements



**Alkame Holding, Inc. and Subsidiaries**

**Notes to the Unaudited Condensed Consolidated Financial Statements**

**For the six months ended June 30, 2016 and 2015**

**1.**

**Organization and Nature of Operations**

Alkame Holdings, Inc. (fka Pinnacle Enterprise Inc.) (the "Company", we, us or our) was incorporated under the laws of the State of Nevada on April 19, 2010. The Company is in the business of distributing bottled alkaline, antioxidant and oxygenated water.

On June 24, 2013, the Company entered into a share exchange agreement with Alkame Water, Inc. (Alkame) and the shareholders of all of the issued and outstanding shares of Alkame. On June 25, 2013, the Company acquired 100% of the members' shares of Alkame, a Company incorporated in the state of Nevada on March 1, 2012, in exchange for 150,000,000 common shares, comprised of 116,666,667 common shares privately transacted from the President of the Company and the issuance of 33,333,333 common shares to shareholders of Alkame. Effectively, Alkame held 71% of the issued and outstanding common shares of the Company and the transaction has been accounted for as a reverse merger, where Alkame is deemed to be the acquirer and or the surviving entity for accounting purposes.

As part of the acquisition transaction, all assets and liabilities of Alkame Holdings, Inc. at the date of acquisition were assumed by the former management.

The transaction is accounted for using the purchase method of accounting. As a result of the recapitalization and change in control, Alkame is the acquiring entity in accordance with ASC 805, Business Combinations. Accordingly, the historical financial statements are those of Alkame, the accounting acquirer, immediately following the consummation of the reverse merger.

As a result of the exchange transaction in 2013, our board of directors decided to change our fiscal yearend from January 31 to December 31.

On April 21, 2014, we entered into a Stock Purchase Definitive Agreement (the Agreement) with Xtreme Technologies, Inc., an Idaho corporation (Xtreme). Pursuant to the terms of the Agreement, we agreed to acquire all of the issued and outstanding capital stock of Xtreme in exchange for certain consideration as set forth in the Agreement.

On January 16, 2015, the parties to the Agreement entered into an amendment (the Amendment) that changed, among other things, the Closing Date of the transaction.

On April 15, 2015, the parties to the Agreement entered into a second amendment (the Second Amendment) that changed, among other things, the 120-day time period to pay monetary consideration under the Agreement to 240 days after the Closing Date of the transaction.

The Company's fiscal year end is December 31.

2.

**Going Concern**

The accompanying unaudited condensed consolidated financial statements have been prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has an accumulated deficit of \$13,715,100 as of June 30, 2016 and has incurred net loss of \$736,845 for the six months ended June 30, 2016. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due, and to generate profitable operations in the future. Management plans to continue to provide for its capital requirements by seeking long term financing which may be in the form of additional equity securities and debt. The outcome of these matters cannot be predicted at this time and there are no assurances that if achieved, the Company will have sufficient funds to execute its business plan or generate positive operating results.

These matters, among others, raise substantial doubt about the ability of the Company to continue as a going concern. These unaudited condensed consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.



### **3. Basis of Presentation**

These unaudited interim financial statements have been prepared in accordance with U.S. generally accepted accounting principles ( US GAAP ) for financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for any interim period or an entire year. The Company applies the same accounting policies and methods in its interim financial statements as those in the most recent audited annual financial statements. The financial statements and notes included herein should be read in conjunction with the annual financial statements and notes for the year ended December 31, 2015 included in the Company's filing on Form 10-K.

The unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ( US GAAP ) and are expressed in U.S. dollars. All inter-company accounts and transactions have been eliminated. The Company's fiscal year end is December 31.

### **4.**

#### **Summary of Significant Accounting Policies**

##### **a) Use of Estimates**

The preparation of unaudited condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to the deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. Significant estimates included are assumptions about collection of accounts receivable, useful life of fixed and intangible assets, estimates used in the fair value calculation of stock-based compensation, beneficial conversion feature and derivative liability on convertible notes and warrants using Black-Scholes Model.

##### **b) Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Alkame Water, Inc. and Xtreme Technologies, Inc. All significant inter-company transactions are eliminated.

**c) Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash includes demand deposits, saving accounts and money market accounts. The Company considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents.

**d) Accounts receivable and concentration of credit risk**

Because the Company currently uses distributors as their main source of product sales and placement, there is an inherent risk that the distributor could experience difficulty in their payments for accounts they ship to. The result, may be that they, while collecting from the stores and chains they supply, they do not process through the payments to us. Although in the past the Company did see significant credit risk associated with the trade receivables, repayment is dependent upon the financial stability of the various distributors and customers to which shipment takes place. As a result, the Company is looking more closely at the credit worthiness of its customer and how large a footprint and customer base various distributors have and is attempting to limit how much of our business is conducted through any one customer or distributor. Our concentration risk is being reevaluated on a quarterly basis.

**e) Allowance for doubtful accounts**

The allowance for doubtful accounts is based on the Company's assessment of the collectability of customer accounts and the aging of the accounts receivable. The Company regularly reviews the adequacy of the Company's allowance for doubtful accounts through identification of specific receivables where it is expected that payments will not be received. The Company also establishes an unallocated reserve that is applied to all amounts that are not specifically identified. In determining specific receivables where collections may not have been received, the Company reviews past due receivables and gives consideration to prior collection history and changes in the customer's overall business condition. The allowance for doubtful accounts reflects the Company's best estimate as of the reporting dates.

At June 30, 2016 and December 31, 2015, the Company had an allowance for bad debts in the amount of \$9,498 and \$161,000 respectively.

**f) Basic and Diluted Net Loss per Share**

The Company computes net loss per share in accordance with ASC 260, Earnings per Share. ASC 260 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. Such securities, shown below, presented on a common share equivalent basis and outstanding as of June 30, 2016 and 2015 have been excluded from the per share computations:

	<b>As of</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Series A Convertible Preferred Stock	600,000,000	600,000,000
Series B Convertible Preferred Stock	65,398,334	65,398,334
Series D Convertible Preferred Stock	20,000,000	-
Convertible notes payable	4,163,391,458	117,373,399
Warrants	1,587,302	1,587,302
3(a)10 Share issuance	607,299,500	133,002,991

**g) Financial Instruments**

Pursuant to ASC 820, Fair Value Measurements and Disclosures, an entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist principally of cash, accounts receivable, accounts payable and accrued liabilities and amounts due to related parties and others. Pursuant to ASC 820, the fair value of our cash is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. We believe that the recorded values of all of our other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

#### **h) Convertible Instruments**

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for Accounting for Derivative Instruments and Hedging Activities .

Professional standards generally provide three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as The Meaning of Conventional Convertible Debt Instrument .

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when Accounting for Convertible Securities with Beneficial Conversion Features, as those professional standards pertain to Certain Convertible Instruments. Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity's control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

#### **i) Derivative Liabilities**

The Company assessed the classification of its derivative financial instruments as of June 30, 2016, which consist of convertible instruments and rights to shares of the Company's common stock and determined that such derivatives meet the criteria for liability classification under ASC 815.

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional, as described.

**j) Income Taxes**

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted ASC 740 Accounting for Income Taxes as of its inception. Pursuant to ASC 740, the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefits of net operating losses have not been recognized in this financial statement because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

**k) Revenue Recognition**

The Company recognizes revenue in accordance with ASC-605, Revenue Recognition, which requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or title has passed; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts.

Revenues are recognized upon shipment, provided that a signed purchase order has been received, the price is fixed, title has transferred, collection of resulting receivables is reasonably assured, and there are no remaining significant obligations. Reserves for sales returns and allowances, including allowances for so called ship and debit transactions, are recorded at the time of shipment, based on historical levels of returns and discounts, current economic trends and changes in customer demand. Certain Internet generated transactions that are prepaid at time of order, are recognized at the time the merchandise ships from the warehouse to the customer.

Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company will defer any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required.

**l) Reclassification**

Certain reclassifications have been made to conform the prior period data to the current presentation. These reclassifications had no effect on reported net loss.

**m) Recent accounting pronouncements**

In January 2016, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update (ASU) 2016-01, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available for-sale debt securities. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. We are currently evaluating the effect ASU 2016-01 will have on our consolidated financial statements.

In March 2016, the FASB issued an Accounting Standards Update (ASU) ASU 2016 09 Improvements to Employee Share-Based Payment Accounting which is intended to improve the accounting for employee share-based payments. The ASU simplifies several aspects of the accounting for share-based payment award transactions, including; the income tax consequences, classification of awards as either equity or liabilities, and the classification on the statement of cash flows. The new standard is effective for fiscal years and interim periods beginning after December 15, 2016, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is permitted. We are currently evaluating the effect ASU 2016-09 will have on our consolidated financial statements.



In April 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) ASU 2016-10 Revenue from Contract with Customers: identifying Performance Obligations and Licensing. The amendments in this Update clarify the two following aspects (a) contracts with customers to transfer goods and services in exchange for consideration and (b) determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). The amendments in this Update are intended to reduce the degree of judgment necessary to comply with Topic 606. This guidance has no effective date as yet. We are currently evaluating the effect ASU 2016-10 will have on our consolidated financial statements.

In August 2016, FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the effect ASU 2016-15 will have on our consolidated statements of cash flows.

In November 2016, the FASB issued Accounting Standards Update No. (ASU) 2016-20, an amendment to Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU addressed several areas related to contracts with customers. This topic is not yet effective and will become effective with Topic 606. We are currently evaluating the effect ASU 2016-20 will have on our consolidated financial statements.

In July 2017, the FASB issued Accounting Standards Update No. (ASU) 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815). The amendments in this Update provide guidance about:

1. Accounting for certain financial instruments with down round features
2. Replacement of the indefinite deferral for mandatorily redeemable financial instruments of certain non-public entities and certain non-controlling interests

The amendments in Part I of this Update change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. For freestanding equity classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features (in

Subtopic 470-20, Debt Debt with Conversion and Other Options), including related EPS guidance (in Topic 260).

The amendments in Part II of this Update recharacterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception. Those amendments do not have an accounting effect.

The amendments in Part I of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018.

Early adoption is permitted for all entities, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The amendments in Part 1 of this Update should be applied in either of the following ways: 1. Retrospectively to outstanding financial instruments with a down round feature by means of a cumulative effect adjustment to the statement of financial position as of the beginning of the first fiscal year and interim period(s) in which the pending content that links to this paragraph is effective 2. Retrospectively to outstanding financial instruments with a down round feature for each prior reporting period presented in accordance with the guidance on accounting changes in paragraphs 250-10-45-5 through 45-10.

The amendments in Part II of this Update do not require any transition guidance because those amendments do not have an accounting effect.

The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging, (Topic 815), Targeted Improvements to accounting for Hedging Activities.

The amendments in this update provide guidance about:

The amendments in this Update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements.

For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted in any interim period after issuance of the Update.

Transition Requirements for cash flow and net investment hedges existing at the date of adoption, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the amendments in this Update. The amended presentation and disclosure guidance is required only prospectively.

The impact this ASU will have on the Company's consolidated financial statements is expected to be immaterial.

In September 2017, the FASB issued ASU 2017-13, Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840 and Leases (Topic 842). The amendments in this update provide guidance about:

The transition provisions in ASC Topic 606 require that a public business entity and certain other specified entities adopt ASC Topic 606 for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. All other entities are required to adopt ASC Topic 606 for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019.

The transition provisions in ASC Topic 842 require that a public business entity and certain other specified entities adopt ASC Topic 842 for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. All other entities are required to adopt ASC Topic 842 for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

The impact this ASU will have on the Company's consolidated financial statements is expected to be immaterial.

In November 2017, the FASB issued ASU 2017-14, Income Statement - Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605) and Revenue from Contracts with Customers (Topic 606). The amendments in this update provide guidance about:

Certain amendments made to SEC materials and staff guidance relating to Operating-Differential subsidiaries, and amendments to the wording and disclosure requirements of Topic 605, Revenue Recognition.

Any new accounting standards, not disclosed above, that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

**5. Notes Payable**

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Notes payable	\$	\$
	288,708	1,050,787
Note payable Xtreme shareholders	164,000	183,000
Officer loans	25,334	26,456
Unamortized debt discount	(17,570)	(35,095)
	\$	\$
Carrying amount	460,472	1,225,148
Less: current portion	(366,772)	(1,200,575)
	\$	\$
Long-term notes payable, net	93,700	24,573

Notes Payable to Stockholders:

The Company owed \$34,527 and \$36,573 at June 30, 2016 and December 31, 2015 respectively to a stockholder.

During the year ended December 31, 2013, the Company had \$63,000 in expenses paid on its behalf by this shareholder which was recorded as a Note. On August 1, 2013, the Company and note holder amended the Note by mutual agreement increasing the principal amount by an additional \$10,000 for other services rendered by the former director. The Note is unsecured and begin accruing interest August 1, 2014 at 5% per annum on the unpaid principal thereafter. Based on a repayment agreement that calls for monthly payments of \$1,000 per month.

During the six-months ended June 30, 2016 and 2015, the Company repaid \$3,000 (\$2,046 principal and \$954 accrued interest) and \$6,000 (\$3,754 principal and \$2,246 accrued interest) of the Note, respectively.

Notes Payable to Xtreme Shareholders:

In January 2015, an accredited investor group, EROP, filed and received approval by the courts for a 3(a)10 filing under which they acquired various debts, including the note due to the former shareholders of Xtreme Technologies, Inc. Under terms of the court order, they are able to convert the debts into common shares of the Company at a 40% discount to the market.

The original balance for the acquisition was \$525,000. As of June 30, 2016, the balance is \$164,000.

Notes Payable, others:

On March 29, 2013, the Company entered into a two-year promissory note agreement for \$500,000. On April 8, 2013, the Company received \$200,000 and on May 1, 2013, the Company received \$300,000. On September 27, 2013, the note agreement was amended to include an additional advance to the Company of \$250,000. Pursuant to the agreement, the loan is secured with a general security agreement, bears interest at 10% per annum, and \$500,000 is due on March 30, 2015 and \$250,000 is due on September 27, 2015. These notes were in technical default. Till the date of settlement of note into Series E Convertible Preferred Stock, the lender did not declare a default, and continued to forebear on collection.

On March 11, 2014, the Company entered into an additional two-year promissory note agreement for an additional \$100,000 from the same investor group, on the same terms as outlined above.

The Company paid 10% of proceeds from \$750,000 of the long-term notes payable as financing cost of \$75,000 to a consultant. The Company will amortize this cost over the term of the long-term note payable.

The Company paid 10% of proceeds from the \$100,000 long-term notes payable as financing cost of \$10,000 to a consultant. The Company will amortize this cost over the term of the long-term note payable.

On May 10, 2016, the Company entered into a Debt Exchange Agreement with the note holder pursuant to which the Company settled \$1,076,125 in debt and accrued interest held by note holder into 1,250,000 shares of newly created Series E Preferred Stock.

## Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

At June 30, 2016 and December 31, 2015, the Company has accrued interest of \$-0- and \$205,347, respectively with regard to the above referenced converted note.

During the six months ended June 30, 2016 and 2015, the Company charged to operations \$3,640 and \$63,369 as amortization of deferred financing costs, respectively. As of June 30, 2016, and December 31, 2015, remaining balance in deferred financing cost of \$1,931 and \$5,513, respectively and is presented as part of other assets.

In July 2015, the Company borrowed \$70,000 from an accredited investor group on a term loan. The note carries interest at 15% per annum and requires repayment of a total of \$98,000 through daily payments of \$560.

In July 2015, the Company borrowed \$25,000 from an accredited investor group on a term loan. The note carries prepaid interest of 10% of the amount borrowing.

In August 2015, the Company borrowed \$50,000 from an accredited investor group on a term loan. The note carries interest at 15% per annum and requires repayment of a total of \$74,500 through daily payments of \$899.

In April 2016, the Company borrowed \$50,000 from an accredited investor on a secured term loan. The note is secured and repaid through revenue and secured by the Company's accounts receivable. The note carries interest at 10% per annum and requires repayment in 18 months.

In May 2016, the Company borrowed \$25,000 from an accredited investor on a secured term loan. The note is secured and repaid through revenue and secured by the Company's accounts receivable. The note carries interest at 10% per annum and requires repayment in 18 months.

In June 2016, the Company borrowed \$18,700 from an accredited investor on a secured term loan. The note is secured and repaid through revenue and secured by the Company's accounts receivable. The note carries interest at 10% per annum and requires repayment in 18 months.

6.

### **Convertible debt**

Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

Beginning in the first quarter of 2016, most of our convertible debt became past due triggering default provisions of the notes. The defaults included \$107,050 in first quarter of 2016 and \$3,500 in second quarter of 2016 of penalties increasing the outstanding amount of the notes principle, increases in the notes interest to penalty rates ranging from 22% to 14%, and triggered certain liquidated damages clauses. The adjustments are reflected in the balances of the outstanding convertible debt and accrued interest.

At June 30, 2016 and December 31, 2015 convertible notes and debentures consisted of the following:

	June 30, 2016	December 31, 2015
	\$	\$
Convertible notes payable	745,251	635,223
Unamortized debt discount	(62,557)	(53,258)
	\$	\$
Carrying amount	682,694	581,965
Less: current portion	(682,694)	(552,479)
	\$	\$
Long-term convertible notes, net	-	29,486

**Note issued on September 5, 2014:**

On September 5, 2014, the Company entered into a one-year convertible debenture for \$52,500 with an accredited institutional investor. The debenture is convertible at 53% of the lowest trading price in the 20 trading days prior to the conversion.

The Company identified embedded derivatives related to the Convertible Promissory Notes entered into in September 2014. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Note and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Note, the Company determined a fair value of \$578,343 of the embedded derivative. The fair value of the embedded derivative was determined using the Black-Scholes Model based on the following assumptions:

Dividend yield:	0%
Volatility	166%
Risk free rate:	0.10%





Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

The initial fair values of the embedded debt derivative of \$578,343 was allocated as a debt discount up to the proceeds of the note (\$52,500) with the remainder (\$525,843) charged to operations as derivative liability adjustment during the year ended December 31, 2014.

During the year ended December 31, 2014, the Company amortized \$17,500 to current period operations as amortization of beneficial conversion feature.

During the year ended December 31, 2015, the Company amortized \$35,000 to current period operations as amortization of beneficial conversion feature.

The fair value of the described embedded derivative of \$71,007 at June 30, 2016 was determined using the Black-Scholes Model with the following assumptions:

Dividend yield:	0%
Volatility	335%
Risk free rate:	0.26%

At June 30, 2016, the Company adjusted the recorded fair value of the derivative liability to market resulting in non-cash, non-operating gain of \$18,081 for the six months ended June 30, 2016.

**Note issued on October 24, 2014:**

On October 24, 2014, the Company entered into a twelve-month convertible debenture for \$55,000 with an accredited institutional investor. The debenture is convertible at 60% of the lowest closing price in the 20 trading days prior to conversion. The note was issued with an original issue discount of \$5,000 which was recorded as part of deferred financing cost and amortized over the term of the note.

The Company identified embedded derivatives related to the Convertible Promissory Notes entered into in October 2014. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Note and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Note, the Company determined a fair value of \$162,550 of the embedded derivative. The fair value of the embedded derivative was determined using the Black-Scholes Model based on the following assumptions:

Dividend yield:	0%
-----------------	----

Volatility	260%
Risk free rate:	0.11%

The initial fair values of the embedded debt derivative of \$162,550 was allocated as a debt discount up to the proceeds of the note (\$55,000) with the remainder (\$107,550) charged to operations as derivative liability adjustment during the year ended December 31, 2014.

During the year ended December 31, 2014, the Company amortized \$13,750 to current period operations as amortization of beneficial conversion feature.

During the year ended December 31, 2015, the Company amortized \$41,250 to current period operations as amortization of beneficial conversion feature.

The fair value of the described embedded derivative of \$70,093 at June 30, 2016 was determined using the Black-Scholes Model with the following assumptions:

Dividend yield:	0%
Volatility	335%
Risk free rate:	0.26%

At June 30, 2016, the Company adjusted the recorded fair value of the derivative liability to market resulting in non-cash, non-operating gain of \$9,443 for six months ended June 30, 2016.

**Note issued on October 27, 2014:**

On October 27, 2014, the Company entered into a two-year convertible debenture for \$33,000 with an accredited institutional investor. The debenture is convertible at lesser of (a) \$0.15 or (b) 60% of the lowest trading price in the 25 trading days prior to conversion. The note was issued with an original issue discount of \$3,000 which was recorded as part of deferred financing cost and amortized over the term of the note.

The Company identified embedded derivatives related to the Convertible Promissory Notes entered into in October 2014. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Note and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Note, the Company determined a fair value of \$100,870 of the embedded derivative. The fair value of the embedded derivative was determined using the Black-Scholes Model based on the following assumptions:

Dividend yield:	0%
Volatility	260%
Risk free rate:	0.41%

The initial fair values of the embedded debt derivative of \$100,870 was allocated as a debt discount up to the proceeds of the note (\$33,000) with the remainder (\$67,870) charged to operations as derivative liability adjustment during the year ended December 31, 2014.

During the year ended December 31, 2014, the Company amortized \$4,125 to current period operations as amortization of beneficial conversion feature.

During the year ended December 31, 2015, the Company amortized \$16,500 to current period operations as amortization of beneficial conversion feature.

During the six-months ended June 30, 2016, the Company amortized \$8,250 to current period operations as amortization of beneficial conversion feature.

The fair value of the described embedded derivative of \$27,837 at June 30, 2016 was determined using the Black-Scholes Model with the following assumptions:

Dividend yield:	0%
-----------------	----

Volatility	335%
Risk free rate:	0.26%

At June 30, 2016, the Company adjusted the recorded fair value of the derivative liability to market resulting in non-cash, non-operating gain of \$42,400 for the six months ended June 30, 2016.

**Note issued on October 29, 2014:**

On October 29, 2014, the Company entered into a twelve-month convertible debenture for \$55,000 with an accredited institutional investor. The debenture is convertible at lesser of (a) \$0.10 or (b) 60% of the lowest trading price in the 25 trading days prior to conversion. The note was issued with an original issue discount of \$5,000 which was recorded as part of deferred financing cost and amortized over the term of the note.

The Company identified embedded derivatives related to the Convertible Promissory Notes entered into in October 2014. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Note and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Note, the Company determined a fair value of \$142,870 of the embedded derivative. The fair value of the embedded derivative was determined using the Black-Scholes Model based on the following assumptions:

Dividend yield:	0%
Volatility	260%
Risk free rate:	0.11%

The initial fair values of the embedded debt derivative of \$142,870 was allocated as a debt discount up to the proceeds of the note (\$55,000) with the remainder (\$87,870) charged to operations as derivative liability adjustment during the year ended December 31, 2014.

Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

During the year ended December 31, 2014, the Company amortized \$13,750 to current period operations as amortization of beneficial conversion feature.

During the year ended December 31, 2015, the Company amortized \$41,250 to current period operations as amortization of beneficial conversion feature.

The fair value of the described embedded derivative of \$70,093 at June 30, 2016 was determined using the Black-Scholes Model with the following assumptions:

Dividend yield:	0%
Volatility	335%
Risk free rate:	0.26%

At June 30, 2016, the Company adjusted the recorded fair value of the derivative liability to market resulting in non-cash, non-operating gain of \$25,532 for the six months ended June 30, 2016.

**Note issued on November 12, 2014:**

On November 12, 2014, the Company entered into a twelve-month convertible debenture for \$75,000 and a 5-year warrant to purchase an aggregate of 1,587,302 shares with an accredited institutional investor. The debenture is convertible at 50% of the lowest trading price in the 20 trading days prior to conversion. The warrant is exercisable at \$0.24 per share subject to adjustments.

In accordance with ASC 470-20, the Company recognized an embedded beneficial conversion feature in the notes. The Company allocated a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital. The Company recognized and measured an aggregate of nil of the proceeds, which is equal to the intrinsic value of the embedded beneficial conversion feature. The Company identified embedded derivatives related to the Convertible Promissory Notes entered into in November 2014. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Note and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Note, the Company determined a fair value of \$324,627 of the embedded derivative. The fair value of the embedded derivative was determined using the Black-Scholes Model based on the following assumptions:

Dividend yield:	0%
Volatility	261-275%

Risk free rate: 0.14%

The initial fair values of the embedded debt derivative of \$324,627 was allocated as a debt discount up to the proceeds of the note (\$75,000) with the remainder (\$249,627) charged to operations as derivative liability adjustment during the year ended December 31, 2014.

During the year ended December 31, 2014, the Company amortized \$4,795 to current period operations as amortization of beneficial conversion feature.

During the year ended December 31, 2015, the Company amortized \$56,250 to current period operations as amortization of beneficial conversion feature.

The fair value of the described embedded derivative of \$148,750 at June 30, 2016 was determined using the Black-Scholes Model with the following assumptions:

Dividend yield:	0%
Volatility	335%
Risk free rate:	0.26-0.73%

At June 30, 2016, the Company adjusted the recorded fair value of the derivative liability to market resulting in non-cash, non-operating loss of \$47,546 for the six months ended June 30, 2016.

**Note issued on December 16, 2014:**

On December 16, 2014, the Company entered into a two-year convertible debenture for \$39,772 with an accredited institutional investor. The debenture is convertible at 60% of the lowest trading price in the 25 trading days prior to conversion.

The Company identified embedded derivatives related to the Convertible Promissory Notes entered into in December 2014. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Note and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Note, the Company determined a fair value of \$85,288 of the embedded derivative. The fair value of the embedded derivative was determined using the Black-Scholes Model based on the following assumptions:

Dividend yield:	0%
Volatility	275%
Risk free rate:	0.58%

The initial fair values of the embedded debt derivative of \$85,288 was allocated as a debt discount up to the proceeds of the note (\$39,722) with the remainder (\$45,566) charged to operations as derivative liability adjustment during the year ended December 31, 2014.

During the year ended December 31, 2014, the Company amortized \$1,655 to current period operations as amortization of beneficial conversion feature.

During the year ended December 31, 2015, the Company amortized \$19,861 to current period operations as amortization of beneficial conversion feature.

During the six-months ended June 30, 2016, the Company amortized \$9,930 to current period operations as amortization of beneficial conversion feature.

The fair value of the described embedded derivative of \$41,856 at June 30, 2016 was determined using the Black-Scholes Model with the following assumptions:

Dividend yield:	0%
Volatility	335%



Risk free rate:	0.36%
-----------------	-------

At June 30, 2016, the Company adjusted the recorded fair value of the derivative liability to market resulting in non-cash, non-operating gain of \$42,857 for the six months ended June 30, 2016.

**Note issued on January 22, 2015:**

On January 22, 2015, the Company entered into a twelve-month convertible debenture for \$75,000 with an accredited institutional investor. The debenture is convertible at 55% of the lowest trading price in the 20 trading days prior to conversion.

The Company identified embedded derivatives related to the Convertible Promissory Notes entered into in January 2015. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Note and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Note, the Company determined a fair value of \$210,982 of the embedded derivative. The fair value of the embedded derivative was determined using the Black-Scholes Model based on the following assumptions:

Dividend yield:	0%
Volatility	335%
Risk free rate:	0.41%

The initial fair values of the embedded debt derivative of \$210,982 was allocated as a debt discount up to the proceeds of the note (\$75,000) with the remainder (\$135,982) charged to operations as derivative liability adjustment during the year ended December 31, 2015.

Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

During the year ended December 31, 2015, the Company amortized \$75,000 to current period operations as amortization of beneficial conversion feature.

The fair value of the described embedded derivative of \$99,630 at June 30, 2016 was determined using the Black-Scholes Model with the following assumptions:

Dividend yield:	0%
Volatility	335%
Risk free rate:	0.26%

At June 30, 2016, the Company adjusted the recorded fair value of the derivative liability to market resulting in non-cash, non-operating gain of \$21,740 for the six months ended June 30, 2016.

**Note issued on February 9, 2015:**

On February 9, 2015, the Company entered into a twelve-month convertible debenture for \$108,000 with an accredited institutional investor. The debenture is convertible at 60% of the lowest trading price in the 20 trading days prior to conversion.

The Company identified embedded derivatives related to the Convertible Promissory Notes entered into in February 2015. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Note and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Note, the Company determined a fair value of \$181,521 of the embedded derivative. The fair value of the embedded derivative was determined using the Black-Scholes Model based on the following assumptions:

Dividend yield:	0%
Volatility	336%
Risk free rate:	0.11%

The initial fair values of the embedded debt derivative of \$181,521 was allocated as a debt discount up to the proceeds of the note (\$108,000) with the remainder (\$73,521) charged to operations as derivative liability adjustment during the year ended December 31, 2015.

During the year ended December 31, 2015, the Company amortized \$99,000 to current period operations as amortization of beneficial conversion feature.

Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

During the six-months ended June 30, 2016, the Company amortized \$9,000 to current period operations as amortization of beneficial conversion feature.

The fair value of the described embedded derivative of \$126,052 at June 30, 2016 was determined using the Black-Scholes Model with the following assumptions:

Dividend yield:	0%
Volatility	335%
Risk free rate:	0.26%

At June 30, 2016, the Company adjusted the recorded fair value of the derivative liability to market resulting in non-cash, non-operating gain of \$13,271 for the six months ended June 30, 2016.

**Note issued on February 10, 2015:**

On February 10, 2015, the Company entered into a twenty-four-month convertible debenture for \$22,000 with an accredited institutional investor. The debenture is convertible at 60% of the lowest trading price in the 25 trading days prior to conversion.

The Company identified embedded derivatives related to the Convertible Promissory Notes entered into in February 2015. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Note and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Note, the Company determined a fair value of \$41,170 of the embedded derivative. The fair value of the embedded derivative was determined using the Black-Scholes Model based on the following assumptions:

Dividend yield:	0%
Volatility	336%
Risk free rate:	0.11%

The initial fair values of the embedded debt derivative of \$41,170 was allocated as a debt discount up to the proceeds of the note (\$22,000) with the remainder (\$19,170) charged to operations as derivative liability adjustment during the year ended December 31, 2015.

During the year ended December 31, 2015, the Company amortized \$22,000 to current period operations as amortization of beneficial conversion feature.

During the six-months ended June 30, 2016, the Company amortized \$7,792 to current period operations as amortization of beneficial conversion feature.

The fair value of the described embedded derivative of \$31,382 at June 30, 2016 was determined using the Black-Scholes Model with the following assumptions:

Dividend yield:	0%
Volatility	335%
Risk free rate:	0.45%

At June 30, 2016, the Company adjusted the recorded fair value of the derivative liability to market resulting in non-cash, non-operating gain of \$17,540 for the six months ended June 30, 2016.

**Note issued on February 19, 2015:**

On February 19, 2015, the Company entered into a twelve-month convertible debenture for \$35,000 with an accredited institutional investor. The debenture is convertible at 50% of the lowest trading price in the 20 trading days prior to conversion.

The Company identified embedded derivatives related to the Convertible Promissory Notes entered into in February 2015. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Note and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Note, the Company determined a fair value of \$53,829 of the embedded derivative. The fair value of the embedded derivative was determined using the Black-Scholes Model based on the following assumptions:

Dividend yield:	0%
Volatility	336%
Risk free rate:	0.11%

The initial fair values of the embedded debt derivative of \$53,829 was allocated as a debt discount up to the proceeds of the note (\$35,000) with the remainder (\$18,829) charged to operations as derivative liability adjustment during the year ended December 31, 2015.

Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

During the year ended December 31, 2015, the Company amortized \$32,083 to current period operations as amortization of beneficial conversion feature.

During the six-months ended June 30, 2016, the Company amortized \$2,917 to current period operations as amortization of beneficial conversion feature.

The fair value of the described embedded derivative of \$55,957 at June 30, 2016 was determined using the Black-Scholes Model with the following assumptions:

Dividend yield:	0%
Volatility	335%
Risk free rate:	0.26%

At June 30, 2016, the Company adjusted the recorded fair value of the derivative liability to market resulting in non-cash, non-operating gain of \$3,042 for the six months ended June 30, 2016.

**Note issued on February 25, 2015:**

On February 25, 2015, the Company entered into a two-year convertible debenture for \$33,333 with an accredited institutional investor. The debenture is convertible at the lower of (a) \$0.10 per share; or (b) 60% of the lowest trading price in the 25 trading days prior to conversion.

## Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

The Company identified embedded derivatives related to the Convertible Promissory Notes entered into in February 2015. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Note and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Note, the Company determined a fair value of \$61,358 of the embedded derivative. The fair value of the embedded derivative was determined using the Black-Scholes Model based on the following assumptions:

Dividend yield:	0%
Volatility	340%
Risk free rate:	0.11%

The initial fair values of the embedded debt derivative of \$61,358 was allocated as a debt discount up to the proceeds of the note (\$33,333) with the remainder (\$28,025) charged to operations as derivative liability adjustment during the year ended December 31, 2015.

During the year ended December 31, 2015, the Company amortized \$15,278 to current period operations as amortization of beneficial conversion feature.

During the six-months ended June 30, 2016, the Company amortized \$8,334 to current period operations as amortization of beneficial conversion feature.

The fair value of the described embedded derivative of \$48,143 at June 30, 2016 was determined using the Black-Scholes Model with the following assumptions:

Dividend yield:	0%
Volatility	335%
Risk free rate:	0.45%

At June 30, 2016, the Company adjusted the recorded fair value of the derivative liability to market resulting in non-cash, non-operating gain of \$26,333 for the six months ended June 30, 2016.

### **Note issued on March 13, 2015:**

On March 5, 2015, the Company entered into an eight-month convertible debenture for \$52,500 with an accredited institutional investor. The debenture is convertible at 53% of the lowest trading price in the 20 trading days prior to the conversion.

The Company identified embedded derivatives related to the Convertible Promissory Notes entered into in March 2015. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Note and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Note, the Company determined a fair value of \$73,432 of the embedded derivative. The fair value of the embedded derivative was determined using the Black-Scholes Model based on the following assumptions:

Dividend yield:	0%
Volatility	343%
Risk free rate:	0.11%

The initial fair values of the embedded debt derivative of \$73,432 was allocated as a debt discount up to the proceeds of the note (\$52,500) with the remainder (\$20,932) charged to operations as derivative liability adjustment during the year ended December 31, 2015.

During the year ended December 31, 2015, the Company amortized \$52,500 to current period operations as amortization of beneficial conversion feature.

During the six-months ended June 30, 2016, the Company amortized \$8,750 to current period operations as amortization of beneficial conversion feature.

The fair value of the described embedded derivative of \$78,107 at June 30, 2016 was determined using the Black-Scholes Model with the following assumptions:

Dividend yield:	0%
Volatility	335%
Risk free rate:	0.26%

At June 30, 2016, the Company adjusted the recorded fair value of the derivative liability to market resulting in non-cash, non-operating gain of \$5,036 for the six months ended June 30, 2016.

**Note issued on January 12, 2016:**

In January 2016, the Company converted \$82,530 of accounts payable into a convertible note. The note carries interest at 10% per annum, due on April 12, 2018 and provides for conversion at the lower of 60% of the lowest trading price in the 25 days prior to conversion or \$0.0001 per share.

The beneficial conversion feature on the convertible notes issued to the noteholders amounted to \$82,530 during the six-month period ended June 30, 2016 and was recorded as debt discount of the corresponding debt.

The Company recognized amortization of debt discount of \$9,148 and \$17,089, during the three and six month period ended June 30, 2016, respectively.

7.

**Fair Value of Financial Instruments**

ASC 825-10 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 825-10 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825-10 establishes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.



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. 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 is disclosed is determined based on the lowest level input that is significant to the fair value measurement.

Items recorded or measured at fair value on a recurring basis in the accompanying unaudited condensed consolidated financial statements consisted of the following items as of June 30, 2016:

	<b>Fair Value Measurements at June 30, 2016 using:</b>			
	<b>June 30, 2016</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Liabilities:				
Derivative\$ Liabilities	868,906	-	-	\$ 868,906

The debt derivative liabilities are measured at fair value using quoted market prices and estimated volatility factors based on historical prices for the Company's common stock and are classified within Level 3 of the valuation hierarchy.

The following table provides a summary of changes in fair value of the Company's Level 3 financial liabilities as of June 30, 2016:

	<b>Derivative Liability</b>
Balance, December 31, 2015	\$ 1,046,635
Additions	-
Change in fair value of derivative liabilities	(177,729)
Balance, June 30, 2016	\$ 868,906



8.

**Related Party Transactions**

During the six months ended June 30, 2016 and 2015, the Company received \$0 and \$22,967, respectively, in cash loans, and made cash payments on these amounts owing totaling \$1,122 and \$0, respectively during the same periods.

As of June 30, 2016, and December 31, 2015, the Company owed \$25,334 to its President. The amount owing is unsecured, non-interest bearing and due on demand.

As of June 30, 2016, and December 31, 2015, the Company owes its president \$300,000 and \$240,000, respectively, of accrued compensation.

As of June 30, 2016, and December 31, 2015, the Company owes \$261,945 and \$213,480, respectively to Kaufman & Associates (holding more than 5% shares of the Company) in connection with a consulting agreement.

On December 9, 2015, the Company issued 1,000,000 Series D Convertible Preferred shares each as compensation to its CEO and Kaufman & Associates a consultant.

9.

**Stockholders Deficit**

a)

**Authorized**

Authorized capital stock consists of:

· 5,500,000,000 common shares with a par value of \$0.001 per share; and

· 100,000,000 preferred shares with a par value of \$0.001 per share;

o

The Company has designated 12,000,000 shares as Series A Convertible Preferred Series Stock. Each share of Series A Preferred Stock is convertible into fifty (50) shares of Common Stock.

o

The Company has designated 70,000,000 shares as Series B Convertible Preferred Series Stock. Each share of Series B Preferred Stock is convertible into one (1) share of Common Stock.

o

The Company has designated 10,000,000 shares as Series C Convertible Preferred Series Stock. Each share of Series C Preferred Stock is convertible into \$1.00 of Common Shares at the market price on the date of conversion.

o

The Company has designated 4,000,000 shares as Series D Convertible Preferred Series Stock. Each share of Series D Preferred Stock is convertible into ten (10) shares of Common Stock. See additional description and preferences under Series D Preferred Stock below.

o

The Company has designated 1,250,000 shares as Series E Convertible Preferred Series Stock, par value \$1.00 per share. Each share of Series E Preferred Stock is convertible into common stock, subject to adjustments, at a conversion price equal to a 50% discount to the VWAP per share for the 5 trading days prior to written notice of conversion. See additional description and preferences under Series E Preferred Stock below.

#### Increase in authorized shares

On January 24, 2014, the Company filed a Certificate of Amendment to the Company's Articles of Incorporation (the Certificate of Amendment) with the Nevada Secretary of State. The Certificate of Amendment amends Article III of the Company's Articles of Incorporation to authorize the issuance of up to one hundred million (100,000,000) shares of Preferred Stock, par value \$0.001 per share, which may be issued in one or more series, with such rights, preferences, privileges and restrictions as shall be fixed by the Company's Board of Directors from time to time. As a result of the Certificate of Amendment, we now have one billion (1,000,000,000) authorized shares, par value \$0.001 per share, consisting of two classes designated as Common Stock and Preferred Stock. The total number of shares of Common Stock that we have authority to issue is nine hundred million (900,000,000) shares and the total number of shares of Preferred Stock that we have authority to issue is one hundred million (100,000,000) shares. The Company's Board of Directors and a majority of our shareholders approved the Certificate of Amendment.

On May 10, 2016, we filed with the Secretary of State of the State of Nevada a Certificate of Amendment to the Articles of Incorporation to increase the authorized shares of Common Stock of our company (the Amendment). The

Amendment authorizes us to issue 5,500,000,000 shares of Common Stock, par value \$0.001 per share. The Amendment did not increase our authorized shares of Preferred Stock.

#### Series D Convertible Preferred Stock

On December 2, 2015, pursuant to Article III of our Articles of Incorporation, the Company's Board of Directors voted to designate a class of preferred stock entitled Series D Preferred Stock, consisting of up to four million (4,000,000) shares, par value \$0.001. Under the Certificate of Designation, holders of Series D Preferred Stock will be entitled to receive the value at which they were issued (\$0.003 per share) in any distribution upon winding up, dissolution, or liquidation. Holders of Series D Preferred Stock are entitled to convert such number of shares to Common Stock equal to the number of Series D Preferred Stock held multiplied by ten (10). Holders of Series D Preferred Stock are also entitled to vote together with the holders of our common stock, Series A Preferred Stock and Series B Preferred Stock on all matters submitted to shareholders at a rate of twenty-five thousand (25,000) votes for each share held.

The rights of the holders of Series D Preferred Stock are defined in the relevant Certificate of Designation filed with the Nevada Secretary of State on December 2, 2015.

F-21

#### Series E Convertible Preferred Stock

On May 10, 2016, pursuant to Article III of our Articles of Incorporation, our Board of Directors voted to designate a class of preferred stock entitled Series E Preferred Stock, consisting of up to 1,250,000 shares. The Certificate of Designation for the Series E Preferred Stock contains the following features:

1.

No voting rights;

2.

Dividends on an as converted basis along with the holders of common stock as and when declared by our Board of Directors;

3.

Rank junior to all other issued and outstanding shares of preferred stock in any liquidation;

4.

A liquidation preference over common stock equal to the greater of: \$1.00 per share and any unpaid dividends; and the as converted amount;

5.

Convertible into common stock, subject to adjustments, at a conversion price equal to a 50% discount to the VWAP per share for the 5 trading days prior to written notice of conversion;

6.

Redeemable by us at \$1.00 per share; and

7.

Protective provisions requiring prior approval to: issue additional shares of preferred stock in an already existing and designated series; liquidate the business; pay dividends; or take any other action under Nevada law that would require prior approval of the holders of Series E Preferred Stock.

The full rights afforded to the holders of Series E Preferred Stock are defined in the relevant Certificate of Designation filed with the Nevada Secretary of State on May 10, 2016, attached to the Current Report on Form 8-K as Exhibit 3.1 filed on May 11, 2016.

b)

### **Share Issuances**

#### **2016:**

On February 9, 2016, the Company issued 4,500,000 common shares upon conversion of \$7,020 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.0156 per share.

On February 12, 2016, the Company issued 5,000,000 common shares upon conversion of \$6,750 of convertible debt. The shares were issued at a price of \$0.00135 per share.

On February 16, 2016, the Company issued 5,454,545 common shares upon conversion of \$7,500 of convertible debt. The shares were issued at a price of \$0.00132 per share.

On February 16, 2016, the Company issued 2,027,396 common shares upon conversion of \$2,686 of convertible debt and accrued interest. The shares were issued at a price of \$0.00132 per share.

On February 17, 2016, the Company issued 10,226,900 common shares upon conversion of \$8,949 of convertible debt. The shares were issued at a price of \$0.00088 per share.

On February 18, 2016, the Company issued 5,952,381 common shares upon conversion of \$5,000 of convertible debt. The shares were issued at a price of \$0.00084 per share.

On February 22, 2016, the Company issued 18,552,879 common shares upon conversion of \$10,000 of convertible debt. The shares were issued at a price of \$0.00054 per share.

On February 22, 2016, the Company issued 11,904,762 common shares upon conversion of \$5,000 of convertible debt. The shares were issued at a price of \$0.00042 per share.

On February 22, 2016, the Company issued 9,904,429 common shares upon conversion of \$4,160 of convertible debt. The shares were issued at a price of \$0.00042 per share.

On February 23, 2016, the Company issued 7,500,000 common shares upon conversion of \$2,625 of convertible debt. The shares were issued at a price of \$0.00035 per share.

On February 24, 2016, the Company issued 21,636,364 common shares upon conversion of \$5,950 of convertible debt. The shares were issued at a price of \$0.000275 per share.

On February 25, 2016, the Company issued 9,901,698 common shares upon conversion of \$2,099 of convertible debt and accrued interest. The shares were issued at a price of \$0.00021 per share.

On February 26, 2016, the Company issued 10,226,909 common shares upon conversion of \$818 of convertible debt. The shares were issued at a price of \$0.00008 per share.

F-22



On February 29, 2016, the Company issued 23,787,879 common shares upon conversion of \$3,925 of convertible debt. The shares were issued at a price of \$0.00016 per share.

On February 29, 2016, the Company issued 7,500,000 common shares upon conversion of \$1,125 of convertible debt. The shares were issued at a price of \$0.00015 per share.

On March 1, 2016, the Company issued 9,904,429 common shares upon conversion of \$1,189 of convertible debt. The shares were issued at a price of \$0.00012 per share.

On March 2, 2016, the Company issued 23,852,814 common shares upon conversion of \$2,755 of convertible debt. The shares were issued at a price of \$0.00012 per share.

On March 7, 2016, the Company issued 21,715,522 common shares upon conversion of \$1,194 of convertible debt. The shares were issued at a price of \$0.00005 per share.

On March 7, 2016, the Company issued 2,102,660 common shares upon conversion of \$116 of convertible debt. The shares were issued at a price of \$0.00005 per share.

On March 7, 2016, the Company issued 23,818,182 common shares upon conversion of \$1,310 of convertible debt. The shares were issued at a price of \$0.000055 per share.

On March 8, 2016, the Company issued 9,725,791 common shares upon conversion of \$195 of convertible debt. The shares were issued at a price of \$0.00002 per share.

On March 10, 2016, the Company issued 9,904,429 common shares upon conversion of \$594 of convertible debt. The shares were issued at a price of \$0.00006 per share.

On March 10, 2016, the Company issued 23,818,182 common shares upon conversion of \$1,310 of convertible debt. The shares were issued at a price of \$0.000055 per share.

On March 11, 2016, the Company issued 9,725,000 common shares upon conversion of \$195 of convertible debt. The shares were issued at a price of \$0.00002 per share.

On March 15, 2016, the Company issued 9,904,429 common shares upon conversion of \$594 of convertible debt. The shares were issued at a price of \$0.00006 per share.

On March 16, 2016, the Company issued 23,818,182 common shares upon conversion of \$1,310 of convertible debt. The shares were issued at a price of \$0.00005 per share.

On March 17, 2016, the Company issued 16,318,490 common shares upon conversion of \$865 of convertible debt and accrued interest. The shares were issued at a price of \$0.00005 per share.

On March 18, 2016, the Company issued 9,904,429 common shares upon conversion of \$594 of convertible debt. The shares were issued at a price of \$0.00006 per share.

On March 23, 2016, the Company issued 20,500,000 common shares upon conversion of \$12,300 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.0006 per share.

On March 23, 2016, the Company issued 9,904,429 common shares upon conversion of \$594 of convertible debt. The shares were issued at a price of \$0.00024 per share.

On May 24, 2016, the Company issued 28,800,000 common shares upon conversion of \$6,912 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00024 per share.

On June 16, 2016, the Company issued 30,250,000 common shares upon conversion of \$3,630 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00012 per share.

**2015:**

On January 12, 2015, the Company issued 3,600,000 common shares upon conversion of \$69,336 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.01926 per share.

On February 4, 2015, the Company issued 3,000,000 common shares upon conversion of \$54,000 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.018 per share.

F-23

On February 9, 2015, the Company issued 2,000,000 common shares upon conversion of \$36,210 of convertible debt. The shares were issued at a price of \$0.01806 per share.

On February 17, 2015, the Company issued 1,428,571 common shares upon conversion of \$25,000 of convertible debt. The shares were issued at a price of \$0.0175 per share.

On February 20, 2015, the Company issued 3,500,000 common shares upon conversion of \$56,910 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.01626 per share.

On February 23, 2015, the Company issued 1,481,481 common shares upon conversion of \$20,000 of convertible debt. The shares were issued at a price of \$0.0135 per share.

On February 24, 2015, the Company issued 1,750,000 common shares upon conversion of \$17,850 of convertible debt. The shares were issued at a price of \$0.0102 per share.

On February 25, 2015, the Company issued 2,500,000 common shares upon conversion of \$32,500 of convertible debt. The shares were issued at a price of \$0.013 per share.

On February 25, 2015, the Company issued 2,686,667 common shares upon conversion of \$22,837 of convertible debt and accrued interest. The shares were issued at a price of \$0.0085 per share.

On February 26, 2015, the Company issued 1,518,333 common shares upon conversion of \$18,220 of convertible debt and accrued interest. The shares were issued at a price of \$0.012 per share.

On March 5, 2015, the Company issued 1,800,000 common shares upon conversion of \$13,500 of convertible debt. The shares were issued at a price of \$0.0075 per share.

On March 10, 2015, the Company issued 4,500,000 common shares upon conversion of \$31,860 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of

\$0.00708 per share.

On March 12, 2015, the Company issued 3,424,658 common shares upon conversion of \$25,000 of convertible debt. The shares were issued at a price of \$0.0073 per share.

On March 12, 2015, the Company issued 3,653,013 common shares upon conversion of \$25,863 of convertible debt. The shares were issued at a price of \$0.00708 per share.

On March 12, 2015, the Company issued 4,955,500 common shares upon conversion of \$33,797 of convertible debt and accrued interest. The shares were issued at a price of \$0.00682 per share.

On March 12, 2015, the Company issued 1,736,111 common shares upon conversion of \$12,500 of convertible debt. The shares were issued at a price of \$0.0072 per share.

On March 16, 2015, the Company issued 1,000,000 common shares upon conversion of \$6,700 of convertible debt and accrued interest. The shares were issued at a price of \$0.0067 per share.

On March 18, 2015, the Company issued 5,000,000 common shares upon conversion of \$21,600 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00432 per share.

On March 26, 2015, the Company issued 5,697,909 common shares upon conversion of \$19,886 of convertible debt and accrued interest. The shares were issued at a price of \$0.00349 per share.

On March 30, 2015, the Company issued 2,106,545 common shares upon conversion of \$4,880 of convertible debt and accrued interest. The shares were issued at a price of \$0.00231 per share.

On March 31, 2015, the Company issued 6,600,000 common shares upon conversion of \$15,048 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00228 per share.

Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

On April 15, 2015, the Company issued 6,000,000 common shares upon conversion of \$14,400 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.0024 per share.

On May 4, 2015, the Company issued 7,400,000 common shares upon conversion of \$29,748 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00402 per share.

On June 2, 2015, the Company issued 5,118,865 common shares upon conversion of \$30,713 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.006 per share.

F-24

On June 17, 2015, the Company issued 5,000,000 common shares upon conversion of \$39,900 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00798 per share.

On August 5, 2015, the Company issued 8,000,000 common shares upon conversion of \$26,880 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00336 per share.

On August 25, 2015, the Company issued 7,000,000 common shares upon conversion of \$21,000 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.003 per share.

On September 28, 2015, the Company issued 5,482,288 common shares upon conversion of \$10,855 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00198 per share.

On September 30, 2015 the Company recorded additional \$24,718 as value of shares sold in payment of debt in excess of value in connection with the August and September 2015 settlements under the Section 3(a)10 of the Rules of the SEC.

On November 12, 2015, the Company issued 9,000,000 common shares upon conversion of \$17,280 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00192 per share.

On December 9, 2015, the Company issued 2,000,000 Series D Convertible Preferred shares as compensation to its CEO and a consultant. The shares were issued at a price of \$0.003 per common share into which they are convertible.

On December 29, 2015, the Company issued 7,500,000 common shares upon conversion of \$18,000 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.0024 per share.

On December 31, 2015 the Company recorded additional \$21,056 as value of shares sold in payment of debt in excess of value in connection with the November and December 2015 settlements under the Section 3(a)10 of the Rules of the SEC.

As of June 30, 2016, and December 31, 2015, there were 636,528,654 and 198,485,547 shares of common stock issued and outstanding, respectively.

**10.**

## **Commitments and Contingencies**

### Litigation

a)

In April 2014, we were notified that a note holder disputes the balance of his note as recorded on the books of our company. The discrepancy arises from a question regarding expenses that the holder claims were paid on behalf of our company and subsequent payments that we recorded as payments against the note. We have no record of the expenses claimed to be due, and we are in negotiations to settle this matter. We have accrued \$28,000 to cover the potential expenses and adjustments to accrued interest if the claim is substantiated. We believe it has properly accounted for all payments made to the individual and have provided documentation to him substantiating our position.

b)

In May 2014, the Company received notice that a complaint was filed in District Court, Clark County, NV alleging that the Company and various unnamed defendants are liable to a Mr. Renard Wiggins with regard to commissions and equity purportedly owed Mr. Wiggins, for services allegedly rendered in raising capital on behalf of the Company prior to the reverse merger between Alkame Holdings, Inc. (fka Pinnacle Enterprises Inc.) and Alkame Water, Inc. in June 2013. After initial review, the Company has filed for a dismissal of the case with the District Court, does not believe there is any validity to the claims of Mr. Wiggins, and intends to vigorously continue defending against these claims. As of December 31, 2015, all but two claims have been dismissed, and the Company is in court mandated settlement talks to determine if the remaining counts can be dismissed or will require further litigation. On November 15, 2016, the Company entered into a stipulated settlement agreement to issue 200,000,000 common shares in full and final settlement of this matter and all legal complaints are withdrawn. In June 2018, the Company issued 92,780,388 shares of the agreed upon settlement.

The Company may, from time to time, become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. The Company is currently not aware of any such legal proceedings that it believes will have, individually or in the aggregate, a material adverse effect on its business, financial condition or operating results.



Commitments

In July 2015, the Company terminated the employment agreements with Keith Fuqua and Timm Ott. Under the terms of the agreements, the Company will continue to make severance payments and provide health insurance through January 2016.

On January 19, 2016, the Company filed an 8-K announcing the formal termination of its January 22, 2015 MOU with Ready Made, Inc. due to the inability to come to mutually agreeable terms.

**11.**

**Acquisition of Xtreme Technologies, Inc.**

On April 21, 2014, we entered into a Stock Purchase Definitive Agreement (the Agreement ) with Xtreme Technologies, Inc., an Idaho corporation ( Xtreme ). Pursuant to the terms of the Agreement, we acquired all of the issued and outstanding capital stock of Xtreme in exchange for certain consideration as set forth in the Agreement.

On January 16, 2015, the parties to the Agreement entered into an amendment (the Amendment ) that changed, among other things, the Closing Date of the transaction.

On April 15, 2015, the parties to the Agreement entered into a second amendment (the Second Amendment ) that changed, among other things, the 120-day time period to pay monetary consideration under the Agreement to 240 days after the Closing Date of the transaction.

In accordance with the terms of the Agreement, the Amendment and the Second Amendment, we purchased all of the outstanding shares of Xtreme for the purchase price of \$2,000,000, payable as follows:

.  
A cash payment of \$50,000 has been previously paid as a non-refundable deposit;

.  
The Closing Date is effective as of January 13, 2015;

.  
An additional cash payment of \$525,000 shall be paid within two hundred and forty (240) days of the Closing Date, which, along with the initial \$50,000 deposit, shall pay the obligations on Xtreme s balance sheet;

.  
The balance of \$1,425,000 shall be payable by the issuance of shares of the Company s Series B Preferred Stock to be divided pro rata among the Company s shareholders of record as of the Closing Date. The Series B Preferred Stock shall include an option to convert each share of Series B Preferred Stock into one share of the Company s Common Stock. The Series B Preferred Stock shall be held in escrow along with the issued and outstanding shares of Xtreme s capital stock pending the full payment of \$525,000. As of the date of this report, the balance of \$525,000 has been fully paid to Xtreme; and

One of Xtreme's previous officers and directors holds outstanding options to purchase up to 1,009,000 shares of Xtreme's common stock at the price of \$0.10 per share. At the Closing Date, pursuant to Idaho law, Xtreme shall notify this previous officer and director of his 30-day right to exercise any or all of his remaining options. If he elects to exercise any of his options within such 30-day period, the Company agrees to issue additional shares of Series B Preferred Stock in exchange for such Xtreme shares. Xtreme notified the option holder and the 30-day period expired unanswered. The options expired unexercised.

The Amendment also requires that the Company guarantee the obligations on employment agreements for Xtreme's key employees, namely, Keith Fuqua, Timm Ott and Casey Henry. The employment agreements with Messrs. Fuqua, Ott and Henry have the terms set forth in the following table.

<u>Employee</u>	<u>Position</u>	<u>Term</u>	<u>Compensation</u>	<u>Commission</u>	<u>Benefits</u>	<u>Severance</u>
Keith Fuqua	Operations Director	One year	\$70,000 annually and annual bonus	5% on gross sales made to Walmart	Benefit plans	6 months severance for termination in certain instances; residual commissions for 1 year
Timm Ott	Sales and Marketing Director and Treasurer	One year	\$2,700 per month salary and annual bonus	\$1.00 per case of product sold	Benefit plans	6 months severance for termination in certain instances
Casey Henry	Manufacturing Director	One year	\$4,350 per month and annual bonus	\$1.00 per case of product sold	Benefit plans	6 months severance for termination in certain instances

In addition, after the Closing Date, Xtreme's current officers and directors, namely, Jeffery J. Crandall, John N. Marcheso and Michael J. Bibin, shall continue to serve in that capacity until the \$525,000 is paid in full. Our President and CEO, Robert K. Eakle and two (2) additional representatives of our company shall be appointed as directors of Xtreme and shall serve together with the other directors until the \$525,000 is paid in full. In addition, Mr. Eakle shall be named as President and Chief Executive Officer of Xtreme. Until the \$525,000 is paid in full, the officers and directors of Xtreme shall not make any material change in the company's business and operations without unanimous consent of the directors. If the \$525,000 is not paid in full within two hundred and forty (240) days of the Closing Date, as may be extended, then the appointments of Mr. Eakle and the other two representatives as interim officers and directors shall be terminated. Upon payment of \$525,000 in full to Xtreme, all former officers and directors of Xtreme shall resign and full control of Xtreme shall be tendered to us. Provided that certain representations are accurate, Jeffery J. Crandall, John N. Marcheso and Michael J. Bibin shall be released by us and Xtreme from any liability as officers and directors of Xtreme for their fiduciary obligations occurring prior to the Closing Date.

F-26

We previously held a three-year limited exclusive distribution agreement with Xtreme for the consumer market. We were permitted to distribute the technologically enhanced bottled water in the consumer market in the United States, Canada and Mexico. As a result of the Agreement, Amendment, and Second Amendment, Xtreme became our wholly-owned subsidiary and we acquired the patents on the proprietary process that we believe is the most technologically advanced in water treatment systems for complete hydration. We will now assume the operations of Xtreme and continue its business of distributing technologically enhanced bottled water.

Upon closing of the acquisition, we discovered that Xtreme was operating at a loss for the prior year and that it required a substantial cash infusion. We have begun a program of upgrading the production line, reorganized personnel, and began an effort to increase sales of the division so that it returns to profitability as quickly as possible. However, as 2015 progressed, it became obvious that changes in contracts negotiated prior to our acquisition were no longer profitable and we terminated the agreements with those customers.

Our primary objective now is to introduce, promote, aggressively market and establish channels of distribution to sell our product to a wide range of consumers, first in the United States, Canada and Mexico, and then globally.

As of the date of this filing, the Company has closed down this division, and written the asset values off in their entirety.

***Series C Convertible Preferred Stock to be issued:***

During the year ended December 31, 2015, the Company committed to issue 1,425,000 shares of Series C Preferred stock valued at \$1.00 per share as part of the Stock Purchase Agreement entered into with Xtreme Technologies, Inc.

**12.**

**Subsequent Events**

We have evaluated subsequent events through the date of issuance of the unaudited condensed consolidated financial statements, and did not have any material recognizable subsequent events, other than the following:

**Share Issuances:**

On July 11, 2016, the Company issued 31,750,000 common shares upon conversion of \$3,810 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00012 per share.

On July 25, 2016, the Company issued 33,300,000 common shares upon conversion of \$3,996 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00012 per share.

On September 13, 2016, the Company issued 35,000,000 common shares upon conversion of \$4,200 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00012 per share.

On October 13, 2016, the Company issued 36,500,000 common shares upon conversion of \$4,380 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00012 per share.

On October 16, 2016, the Company issued 36,533,396 common shares upon conversion of \$1,936 of convertible debt and accrued interest. The shares were issued at a price of \$0.000053 per share.

On October 25, 2016, the Company issued 38,500,000 common shares upon conversion of \$4,620 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.000106 per share.

On October 27, 2016, the Company issued 36,687,169 common shares upon conversion of \$3,889 of convertible debt and accrued interest. The shares were issued at a price of \$0.000053 per share.

On October 28, 2016, the Company issued 42,300,000 common shares upon conversion of \$7,614 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00018 per share.

On November 1, 2016, the Company issued 46,200,000 common shares upon conversion of \$8,316 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00018 per share.

On November 1, 2016, the Company issued 19,827,273 common shares upon conversion of \$2,181 of convertible debt. The shares were issued at a price of \$0.00011 per share.

On November 7, 2016, the Company issued 32,525,312 common shares upon conversion of \$3,903 of convertible debt and accrued interest. The shares were issued at a price of \$0.00012 per share.

On November 14, 2016, the Company issued 48,500,000 common shares upon conversion of \$29,100 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.0006 per share.

F-27

On November 18, 2016, the Company issued 50,900,000 common shares upon conversion of \$12,216 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00024 per share.

On December 7, 2016, the Company issued 53,500,000 common shares upon conversion of \$9,630 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00018 per share.

On January 4, 2017, the Company issued 56,100,000 common shares upon conversion of \$28,050 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.0005 per share.

On January 19, 2017, the Company issued 58,900,000 common shares upon conversion of \$70,680 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.0012 per share.

On January 25, 2017, the Company issued 121,212,121 common shares upon conversion of \$20,000 of convertible debt. The shares were issued at a price of \$0.000165 per share.

On January 26, 2017, the Company issued 61,900,000 common shares upon conversion of \$105,230 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.0017 per share.

On January 31, 2017, the Company issued 106,791,056 common shares upon conversion of \$19,222 of convertible debt and accrued interest. The shares were issued at a price of \$0.00018 per share.

On February 1, 2017, the Company issued 60,000,000 common shares upon conversion of \$10,800 of convertible debt. The shares were issued at a price of \$0.000185 per share.

On February 3, 2017, the Company issued 13,949,500 common shares upon conversion of \$50,218 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.0036 per share.



On February 7, 2017, the Company issued 135,000,000 common shares upon conversion of \$20,308 of convertible debt. The shares were issued at a price of \$0.00015 per share.

On February 7, 2017, the Company issued 124,642,333 common shares upon conversion of \$22,436 of convertible debt and accrued interest. The shares were issued at a price of \$0.00018 per share.

On February 9, 2017, the Company issued 135,459,267 common shares upon conversion of \$20,319 of convertible debt and accrued interest. The shares were issued at a price of \$0.00015 per share.

On February 10, 2017, the Company issued 45,279,174 common shares upon conversion of \$2,717 of convertible debt. The shares were issued at a price of \$0.00006 per share.

On February 16, 2017, the Company issued 176,545,455 common shares upon conversion of \$29,130 of convertible debt and accrued interest. The shares were issued at a price of \$0.000165 per share.

On February 16, 2017, the Company issued 70,000,000 common shares upon conversion of \$7,000 of convertible debt and accrued interest. The shares were issued at a price of \$0.0001 per share.

On February 17, 2017, the Company issued 78,306,444 common shares upon conversion of \$14,095 of convertible debt and accrued interest. The shares were issued at a price of \$0.00018 per share.

On February 17, 2017, the Company issued 164,931,500 common shares upon conversion of \$29,688 of convertible debt and accrued interest. The shares were issued at a price of \$0.00018 per share.

On February 17, 2017, the Company issued 39,206,833 common shares upon conversion of \$11,762 of convertible debt. The shares were issued at a price of \$0.0003 per share.

On February 17, 2017, the Company issued 86,936,364 common shares upon conversion of \$28,689 of convertible debt and accrued interest. The shares were issued at a price of \$0.00033 per share.

Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

On February 24, 2017, the Company issued 240,000,000 common shares upon conversion of \$43,200 of convertible debt. The shares were issued at a price of \$0.00018 per share.

On February 24, 2017, the Company issued 125,000,000 common shares upon conversion of \$22,500 of convertible debt. The shares were issued at a price of \$0.000318 per share.

On February 28, 2017, the Company issued 74,586,446 common shares upon conversion of \$23,718 of convertible debt. The shares were issued at a price of \$0.00018 per share.

F-28

On March 1, 2017, the Company issued 108,085,525 common shares upon conversion of \$40,100 of convertible debt and accrued interest. The shares were issued at a price of \$0.000371 per share.

On March 10, 2017, the Company issued 120,000,000 common shares upon conversion of \$28,800 of convertible debt and accrued interest. The shares were issued at a price of \$0.00024 per share.

On March 13, 2017, the Company issued 159,978,301 common shares upon conversion of \$33,915 of convertible debt and accrued interest. The shares were issued at a price of \$0.000212 per share.

On March 16, 2017, the Company issued 100,000,000 common shares upon conversion of \$24,000 of accrued interest. The shares were issued at a price of \$0.00024 per share.

On March 22, 2017, the Company issued 131,344,669 common shares upon conversion of \$27,845 of convertible debt and accrued interest. The shares were issued at a price of \$0.000212 per share.

On March 23, 2017, the Company issued 166,666,667 common shares upon conversion of \$44,700 of accrued interest. The shares were issued at a price of \$0.000268 per share.

On May 19, 2017, the Company issued 171,500,000 common shares upon conversion of \$44,590 of convertible debt and accrued interest. The shares were issued at a price of \$0.00026 per share.

On June 2, 2017, the Company issued 57,692,307 common shares upon conversion of \$15,000 of convertible debt and accrued interest. The shares were issued at a price of \$0.00026 per share.

On June 5, 2017, the Company issued 171,153,846 common shares upon conversion of \$44,500 of convertible debt and accrued interest. The shares were issued at a price of \$0.00026 per share.

On August 16, 2017, the Company issued 122,500,000 common shares upon conversion of \$14,700 of convertible debt and accrued interest. The shares were issued at a price of \$0.00026 per share.

On February 22, 2018, the Company issued 215,000,000 common shares upon conversion of \$21,500 of convertible debt and accrued interest. The shares were issued at a price of \$0.0001 per share.

On March 8, 2018, the Company issued 220,000,000 common shares upon conversion of \$22,000 of convertible debt and accrued interest. The shares were issued at a price of \$0.0001 per share.

On March 23, 2018, the Company issued 135,000,000 common shares upon conversion of \$13,500 of convertible debt and accrued interest. The shares were issued at a price of \$0.0001 per share.

On April 11, 2018, the Company issued 320,000,000 common shares upon conversion of \$32,000 of convertible debt and accrued interest. The shares were issued at a price of \$0.0001 per share.

On May 8, 2018, the Company issued 55,000,000 common shares upon conversion of \$5,500 of convertible debt and accrued interest. The shares were issued at a price of \$0.0001 per share.

On June 8, 2018, the Company issued 92,780,388 common shares in connection with a stipulated settlement agreement entered into by the Company in early 2017. The shares were issued at a price of \$0.0019 per share.

**Convertible Debts:**

On April 17, 2017, the Company entered into a Stock Purchase Agreement (the SPA) with an accredited investor group (the Investor or Buyer). Under the terms of the SPA, the Investor will purchase up to \$550,000 of convertible debentures in a series of four tranches. The first tranche will be in the amount of \$220,000, with each of the three successive tranches in the amount of \$110,000.

Each note will be issued with a 10% Original Issue Discount (OID) such that the net amount received by the Company will be either \$200,000 or \$100,000 per debenture. The convertible debentures are due and payable one year from date of issuance and will carry interest at a rate of 8% per annum from the date of issuance. Each debenture will be convertible into common stock of the Company at the lower of (i) 70% of the lowest trading price of the Common Stock as reported on the OTC PK marketplace which the Company's shares are traded or any market upon which the Common Stock may be traded in the future ("Exchange"), during the twenty (20) trading days immediately preceding the closing date or (ii) 70% of the lowest trading price of the Common Stock as reported on the OTC PK marketplace which the Company's shares are traded or any market upon which the Common Stock may be traded in the future

("Exchange"), during the twenty 20 trading days immediately preceding the receipt of a notice of conversion.

F-29

Subsequent fundings after the second tranche are conditioned on the Company completing the filing of its audits within 59 days of the date of the first funding, and subsequent tranches will require completion of the remaining filings necessary to bring the Company current in its reporting obligations.

Additionally, while the Notes are outstanding, the Company is prohibited from entering into any convertible debentures or 3(A)(10) financings with another party without prior written consent of the Buyer.

The Buyer has, for a period of 6 months from the sale of the first note purchased, to invest up to an additional \$500,000, in one or more tranches, on the same terms as those in the first four notes being purchased.

On October 17, 2017, the Company entered into a nine-month convertible debenture for \$16,500 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at 70% of the lowest trading price in the 20 trading days prior to conversion.

On October 25, 2017, the Company entered into a nine-month convertible debenture for \$27,500 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at 70% of the lowest trading price in the 20 trading days prior to conversion.

On October 30, 2017, the Company entered into a nine-month convertible debenture for \$22,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at 70% of the lowest trading price in the 20 trading days prior to conversion.

On November 5, 2017, the Company entered into a nine-month convertible debenture for \$22,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at 70% of the lowest trading price in the 20 trading days prior to conversion.

On November 9, 2017, the Company entered into a nine-month convertible debenture for \$90,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at 70% of the lowest trading price in the 20 trading days prior to conversion.

On December 31, 2017, the Company entered into a nine-month convertible debenture for \$22,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at the lower of (a) \$0.0001; or (b) 70% of the lowest trading price in the 20 trading days prior to conversion.

On January 3, 2018, the Company entered into a nine-month convertible debenture for \$30,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at 70% of the lowest trading price in the 20 trading days prior to conversion.

On January 13, 2018, the Company entered into a nine-month convertible debenture for \$22,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at 70% of the lowest trading price in the 20 trading days prior to conversion.

On January 17, 2018, the Company entered into a nine-month convertible debenture for \$16,500 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at the lower of (a) \$0.0002; or (b) 70% of the lowest trading price in the 20 trading days prior to conversion.

On January 25, 2018, the Company entered into a nine-month convertible debenture for \$27,500 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at the lower of (a) \$0.0003; or (b) 70% of the lowest trading price in the 20 trading days prior to conversion.

On January 30, 2018, the Company entered into a nine-month convertible debenture for \$22,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at 70% of the lowest trading price in the 20 trading days prior to conversion.

On February 5, 2018, the Company entered into a nine-month convertible debenture for \$22,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at the lower of (a) \$0.0003; or (b) 70% of the lowest trading price in the 20 trading days prior to conversion.

On February 9, 2018, the Company entered into a nine-month convertible debenture for \$90,200 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at the lower of (a) \$0.0003; or (b) 70% of the lowest trading price in the 20 trading days prior to conversion.

On February 16, 2018, the Company entered into a nine-month convertible debenture for \$55,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at 70% of the lowest trading price in the 20 trading days prior to conversion.

On February 23, 2018, the Company entered into a nine-month convertible debenture for \$55,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at 70% of the lowest trading price in the 20 trading days prior to conversion.

On February 26, 2018, the Company entered into a nine-month convertible debenture for \$55,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at 70% of the lowest trading price in the 20 trading days prior to conversion.

## Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

On March 8, 2018, the Company entered into a nine-month convertible debenture for \$55,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at 70% of the lowest trading price in the 20 trading days prior to conversion.

On March 15, 2018, the Company entered into a nine-month convertible debenture for \$22,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at 70% of the lowest trading price in the 20 trading days prior to conversion.

On March 30, 2018, the Company entered into a 30-Day convertible debenture for \$33,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture was repaid prior to the 30-day periods expiration.

On May 16, 2018, the Company entered into a one-month, secured note for \$50,000 with an accredited investor. The note carries 13.5% interest and was repaid prior to its due date.

On June 6, 2018, the Company entered into a one-month, secured note for \$50,000 with an accredited investor. The note carries 12.5% interest and is due July 6, 2018.

On June 8, 2018, the Company entered into a nine-month convertible debenture for \$55,000 with an accredited institutional investor. The debenture carries a 10% original issue discount, and interest at a rate of 8% per annum. The debenture is convertible at 70% of the lowest trading price in the 20 trading days prior to conversion.

### **Others:**

On May 1, 2017, the Company entered into a five-year Commercial Sublease (the Sublease ) with Bell Foods and Bell Northside, LLC. Pursuant to the Sublease, the Property is approximately seventeen (17) acres and includes approximately twelve (12) acres of farm ground. On the remaining five (5) acres is where the production facility is located, and the company subleased a majority portion of that processing facility. A portion of the property has a food processing facility. The Company is required to pay \$7,000 per month under the Sublease, which increases to \$10,000 per month after three months.

On the same date, the Company entered into an Equipment Lease Agreement (the Equipment Lease ) with Bell Foods to use certain equipment located on the property located in the food processing facility for a nominal fee. A Letter Agreement that predated the Equipment Lease, but effective as of May 1, 2017, was designed to supplement the Equipment Lease with an assignment by Bell Foods of its accounts receivables, with the assumption by the Company of accounts payable, including a loan payable to Craig Bell in the sum of \$150,000.

Further under the Letter Agreement, Bell Foods was required to use the accounts receivable, prior to the effective date, to pay portions of the accounts payable. In the event there were insufficient funds to pay off the accounts payable, Craig Bell agreed to loan additional funds to Bell Foods, which would become part of the unpaid balance of the outstanding note.



Prior to the effective date, Bell Foods used approximately \$60,438.76 in accounts receivables to retire \$60,438.76 in accounts payables, namely \$49,000.00 paid to the Craig Bell note. On the effective date, May 1, the remaining accounts receivable, valued at approximately \$117,248.70, and remaining accounts payable, valued at approximately \$48,797.46, were transferred to the Company and the Company released Bell Foods from all liability associated with the accounts payable. The company retired the remaining balance of the Craig Bell note on May 22nd. As of July 31, 2017, the accounts payable was \$169,722.96, with the accounts receivable at \$178,158.10.

The Company also entered into a Wastewater Disposal Agreement, effective as of May 1, 2017, with Bell Foods, Jones Place, LLC ( Jones Place ) and Bell Farms, Inc. This agreement concerns the right to use brine wastewater ponds that reside at the property. The Company executed this agreement to deliver wastewater to the ponds located on the property under the specifications mandated by the Oregon Department of Environmental Quality.

Prior to entering into these agreements, the Company had been searching for a larger facility for increased warehousing and productions space for its water products. The Company was also interested in the property to diversify its water product line and possibly enter into the flavored beverages segment of the market for unique teas and health beverages. The Company believes that the foregoing agreements will afford the Company a unique opportunity to lease not only warehousing space, but also use the existing equipment and infrastructure to manufacture on a hot fill and healthy beverage production line, as well as install the Company s bottling line, which due to added automation and redesigned layout, is expected to provide for more cost-efficient production.

As mentioned above, the Company received a discount on the first three months lease cost. This was provided as an offset for removing or disposing of various manufacturing supplies left behind from Bell Foods production operations.

In the Company s original Current Report on Form 8-K (May 8, 2017), the Company had indicated that the deal was structured as an assumption of the operations of Bell Foods, and with it significant revenue opportunities. In fact, as stated in the Letter Agreement, the Company is simply assisting Bell Foods close out its outstanding payables. The Company has chosen to employ several members of the previous staff that previously worked for Bell Foods in connection with the Company s water business.

The Company's main focus has always been in utilizing the patented water treatment technology for as many applications and market segments as possible, creating more revenue streams. Growing its co-packing and private label business opportunities, and utilizing its water technology whenever possible, should begin to grow substantially due to the new location and added capabilities the facility has. The Company may choose, in the future, to expand its water business with hot drinks and health beverages, which the new facility is capable of providing with added resources.

This assumption of operations may add approximately \$1.5 million in annual revenue to Alkame. In addition to the added revenue, all customers' accounts, accounts payable and receivables, inventory, internet properties, and an extensive library of product formulations, along with the continuation to offer private label programs and customized co-packing solutions for a selected variety of specialty gourmet items. Along with the acquisition brings the ownership and title to the product expansion product offerings of the brands: Everyday Gourmet Fine Foods, Everyday Organic Fine Foods, Mr. Jalapeno, and NutraBell Gourmet Fine Foods.

On May 1, 2017, the Company entered into a purchase agreement to acquire the OmegaHemp brand and associated intellectual property consisting of, but not limited to, the application for the registration of the trademark name, logos, labels, artwork, web URL and associated domains, packaging configurations and promotional materials and formulations. The purchase price of \$25,000 is payable over a period of twelve months from date of closing.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are forward-looking statements. These forward-looking statements generally are identified by the words believes, project, expects, anticipates, estimates, intends, strategy, plan, may, will, would, likely result, and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on our operations and future prospects on a consolidated basis include but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

### Overview

Alkame Holdings, Inc. (the "Company", we, us or our) was incorporated under the laws of the State of Nevada on April 19, 2010.

The Company is in the business of distributing bottled/canned alkaline, antioxidant and oxygenated water.

On June 24, 2013, the Company entered into a share exchange agreement with Alkame Water, Inc. (Alkame) and the shareholders of all of the issued and outstanding shares of Alkame. On June 25, 2013, the Company acquired 100% of the members' shares of Alkame, a Company incorporated in the state of Nevada on March 1, 2012, in exchange for 150,000,000 common shares, comprised of 116,666,667 common shares privately transacted from the President of Company and the issuance of 33,333,333 common shares to shareholders of Alkame. Effectively, Alkame held 71% of the issued and outstanding common shares of the Company and the transaction has been accounted for as a reverse merger, where Alkame is deemed to be the acquirer and or the surviving entity for accounting purposes.

As part of the acquisition transaction, all assets and liabilities of Alkame Holdings, Inc. at the date of acquisition were assumed by the former management.

The transaction is accounted for using the purchase method of accounting. As a result of the recapitalization and change in control, Alkame is the acquiring entity in accordance with ASC 805, Business Combinations. Accordingly, the historical financial statements are those of Alkame, the accounting acquirer, immediately following the consummation of the reverse merger.

On January 13, 2015, the Company completed the acquisition of Xtreme Technologies, Inc., an Idaho corporation.

Under the Agreement, Amendment, and Second Amendment, Xtreme became our wholly-owned subsidiary and we acquired the patents on the proprietary process that we believe is the most technologically advanced in water treatment systems for complete hydration. We assumed the operations of Xtreme and continue its business of distributing technologically enhanced bottled water.

Upon closing of the acquisition, we discovered that Xtreme was operating at a loss for the prior year and that it required a substantial cash infusion. We have begun a program of upgrading the production line, reorganized personnel, and began an effort to increase sales of the division so that it returns to profitability as quickly as possible. However, as 2015 progressed, it became obvious that changes in contracts negotiated prior to our acquisition were no longer profitable and we terminated the agreements with those customers.

Our primary objective now is to introduce, promote, aggressively market and establish channels of distribution to sell our product to a wide range of consumers, first in the United States, Canada and Mexico, and then globally.

As of the date of this filing, the Company has closed down this division, and written the asset values off in their entirety.

## **Sales and Marketing**

Our patented technology holds many new and unique possibilities for us, much more than just a bottled water company. Alkame Holdings Inc. is a holding company, and Alkame Water, High Country Shrimp, and Xtreme Technologies are part of a multi-faceted business strategy, and we are actively pursuing many exciting new fronts and applications to expand upon and provide several separate potential revenue streams for the Company.

The Company's wholly-owned subsidiaries, Alkame Water, Inc., and Xtreme Technologies Inc. market and distribute enhanced waters utilizing an exclusive patented formula and technology to create water with several unique properties which increase the available oxygen content and balance pH levels, as well as provide added benefits of enhancement with electrolytes and antioxidants, which equates into many health benefits, such as, but not limited to, improved absorbability, improved metabolic efficiency, a boosted immune system, improved cardio respiratory function, and a decrease in lactic acid for faster muscle recovery. Xtreme Technologies Inc. is pursuing the household pet industries. Alkame Water is pursuing the human consumable industries.

Alkame Holdings Inc. and its subsidiaries continue to grow under a Grass Roots methodology, building a strong foundation through a slow and methodical organic approach to distribution into retail, as well as online and alternative channels.

### **Results of Operations for the three and six months ended June 30, 2016 and 2015.**

#### ***Operating Revenues***

In the six-month periods ended June 30, 2016 and 2015, we generated \$121,643 and \$601,251, respectively, in revenue from the sale of our water products. In the three-month periods ended June 30, 2016 and 2015, we generated \$47,670 and \$307,245, respectively, in revenue. The decrease is due to the dropping of two major customers after it was determined that we were losing money on each truckload of water shipped. We expect to negotiate new agreements with a number of customers in an effort to increase sales.

#### ***Cost of Goods Sold***

In the six-month periods ended June 30, 2016 and 2015, we incurred \$103,745 and \$459,903, respectively, as cost of goods sold. In the three-month periods ended June 30, 2016 and 2015, we incurred \$52,584 and \$235,250, respectively, as cost of goods sold. The decrease is primarily due to the decrease in revenue generated by Alkame Water and Xtreme Technologies in the first two quarters of 2016. We do not expect any significant increases until such time as our revenue begins to increase once again.

#### ***Gross profit***

For the six-month periods ended June 30, 2016 and 2015, our gross profit was \$17,898 (14.7% of revenue) and \$141,348 (23.5% of revenue). For the three-month periods ended June 30, 2016 and 2015, our gross loss was \$4,914 (10.3% of revenue) and a gross profit of \$71,995 (23.4% of revenue). The decrease in gross profit dollar amounts and the decrease in gross profit percentage in 2016 from 2015, is a direct result of the significant decrease in sales causing our overhead to not be more fully absorbed, but margin on the products was stronger. Since we are not able to amortize the manufacturing and management overhead of the companies over a larger sales base, we see decreased

margins over the foreseeable future.

**Operating Expenses**

Our operating expenses for the three and six-month periods ended June 30, 2016 and 2015 are outlined in the table below:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	\$	\$	\$	\$
Selling expenses	43,483	171,534	74,869	443,286
General and administrative	87,786	228,746	204,297	540,548
Depreciation and amortization	1,915	47,197	4,125	83,934
	\$	\$	\$	\$
<b>Total</b>	<b>133,184</b>	<b>447,477</b>	<b>283,292</b>	<b>1,067,768</b>

Operating expenses for the six months ended June 30, 2016 and 2015 was \$283,292 and \$1,067,768 respectively. Operating expenses for the three months ended June 30, 2016 and 2015 was \$133,184 and \$447,477 respectively. The decrease in operating expense during the three and six months ended June 30, 2016 versus 2015 is attributed to a decrease in general and administrative costs of Xtreme after the termination of certain employment agreements.

**Other Income/(Expenses)**

In addition to operating expenses, we incurred interest expenses of \$382,078 and \$75,422 during the six months ended June 30, 2016 and 2015 respectively. We incurred interest expenses of \$103,206 and \$31,970 during the three months ended June 30, 2016 and 2015 respectively. The increase in interest expense during the period ended June 30, 2016 is primarily attributable to the increased amount of debt and penalties incurred on delinquent debt in the period ending June 30, 2016 versus the balance at June 30, 2015.

The Company incurred amortization of deferred financing cost of \$3,640 and \$63,369 during the six months ended June 30, 2016 and 2015, respectively. We incurred amortization of deferred financing cost of \$1,042 and \$16,914 during the three months ended June 30, 2016 and 2015, respectively. The decrease in amortization of deferred financing cost during the period ended June 30, 2016 is primarily attributable to the completion of the amortization incurred on the various underlying debt incurred from financing activities over the last year.

Non-cash interest expense due to adjustments connected with derivative instrument adjustments related to convertible notes used to finance the Company include a gain of \$177,729 and \$152,015 for the six months ended June 30, 2016 and 2015, respectively and a gain of \$1,030,897 and loss of \$30,631, for the three months ended June 30, 2016 and

2015, respectively as a result of the change in fair value of the Company's derivative instruments. Amortization of debt discount is \$89,587 and \$466,787 for the six-month periods ended June 30, 2016 and 2015, respectively and \$34,834 and \$159,055 for the three-month periods ended June 30, 2016 and 2015, respectively, decreased primarily due to the maturity of various notes payable in late 2015.

In the six months ended June 30, 2016, the Company recorded a loss on settlement of debt in the amount of \$173,875 upon the settlement of \$850,000 of principal and \$226,125 of accrued but unpaid interest into \$1,250,000 of Series E Preferred Stock.

### *Net (Loss) Income*

We incurred a net loss of \$736,845 and \$1,379,252 for the six months ended June 30, 2016 and 2015, respectively. We incurred a net income of \$579,842 and a net loss of \$621,095 for the three months ended June 30, 2016 and 2015, respectively.

### **Liquidity and Capital Resources**

The continuation of the Company as a going concern is dependent upon the continued financial support from its management, and its ability to identify future investment opportunities and obtain the necessary debt or equity financing and generating profitable operations from the Company's future operations. However, there can be no assurance that these arrangements will be sufficient to fund its ongoing capital expenditures, working capital, and other cash requirements. The outcome of these matters cannot be predicted at this time. These factors raise substantial doubt regarding the Company's ability to continue as a going concern.

### *Working Capital*

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>Percentage Increase (Decrease)</b>
	\$	\$	
Current Assets	133,178	113,142	17.7 %
	\$	\$	
Current Liabilities	3,698,298	4,452,468	(16.9 %)
	\$	\$	
Working Capital Deficit	(3,565,120)	(4,339,326)	(17.8 %)



At June 30, 2016, our cash balance was \$35,745 compared to \$0 at December 31, 2015. The increase in cash is attributed to proceeds of \$93,700 in notes payable offset by \$44,987 utilized in operating activities.

At June 30, 2016, we had total current liabilities of \$3,698,298 compared with total current liabilities of \$4,452,468 at December 31, 2015. The decrease in total liabilities is attributed to an increase of \$196,155 in accounts payable, \$105,619 in accrued interest, \$272,641 in liquidated damages and default penalties, offset by decreases in the derivative liabilities of \$177,729, and settlement of \$850,000 note payable and \$226,125 accrued interest into Series E Preferred Stock.

At June 30, 2016, we had a working capital deficit of \$3,565,120 compared with a working capital deficit of \$4,339,326 at December 31, 2015. The decrease in working capital deficit is mainly attributed to the decrease in the derivative liabilities of \$177,729, conversions of convertible debt, notes payable, and accounts payable into common and preferred stock totaling \$1,374,162 offset by an increase in debt due to liquidated damages and default penalties of \$272,641 and an increase in accounts payable and accrued expenses of \$196,155.

### *Cash Flows*

	<b>For the Six Months Ended</b>		<b>Percentage</b>
	<b>June 30,</b>	<b>June 30,</b>	<b>Increase</b>
	<b>2016</b>	<b>2015</b>	<b>(Decrease)</b>
	\$	\$	
Cash Used in Operating Activities	(44,987)	(433,873)	(89.6) %
Cash Used in Investing Activities	-	(87,338)	(100.0)%
Cash Provided by Financing Activities	80,732	350,263	(77.0) %
Net Increase (Decrease) in Cash	35,745	(170,948)	120.9 %

### *Cash flow from Operating Activities*

During the six months ended June 30, 2016, we used \$44,987 of cash in operating activities compared to the use of \$433,873 of cash for operating activities during the period ended June 30, 2015. The decrease in cash used in operating activities was mainly attributed to our net loss of \$736,845, offset mainly by depreciation and amortization of \$26,032, amortization of deferred financing cost of \$3,640, \$272,641 for liquidated damages and default penalties, \$173,875 recorded as a non-cash loss on settlement of debt, and an adjustment of amortization of debt discount of \$93,086, an increase of \$196,155 in accounts payable and accrued expenses, and a decrease in inventory of \$24,536, offset by gain on change in fair value of derivative liability of \$177,729, increase in accounts receivable by \$22,061, decrease in customer deposit by \$17,170 and bad debts of \$2,500.

### ***Cash flow from Investing Activities***

During the six months ended June 30, 2016, we used \$0 in investing activities.

### ***Cash flow from Financing Activities***

During the six months ended June 30, 2016 and 2015, we received net proceeds of \$80,732 and \$350,263, respectively from financing activities. The decrease in proceeds from financing activities is mainly attributed to repayment of cash overdraft of \$2,448, payment of \$1,122 in officer loans, payments of notes payable of \$9,398 and proceeds of \$93,700.

### **Going Concern**

These accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which implies that the Company will continue to realize its assets and discharge its liabilities in the normal course of business. For the six months ended June 30, 2016, the Company recognized \$121,643 in revenue, and as of June 30, 2016 had an accumulated deficit of \$13,715,100. The continuation of the Company as a going concern is dependent upon the continued financial support from its management, and its ability to identify future investment opportunities and obtain the necessary debt or equity financing and generating profitable operations from the Company's future operations. However, there can be no assurance that these arrangements will be sufficient to fund its ongoing capital expenditures, working capital, and other cash requirements. The outcome of these matters cannot be predicted at this time. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These accompanying unaudited condensed consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

### **Future Financings**

We will continue to rely on equity sales of our common shares in order to continue to fund our business operations. Issuances of additional shares will result in dilution to existing stockholders. There is no assurance that we will achieve any additional sales of the equity securities or arrange for debt or other financing to fund our operations and other activities.

### **Critical Accounting Policies**

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in the notes to our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Our significant accounting policies are more fully described in Note 4 to our unaudited consolidated financial statements.

### **Recently Issued Accounting Pronouncements**

Our significant accounting policies are more fully described in Note 4 to our unaudited condensed consolidated financial statements.

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and we do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our financial position or results of operations.

### **Off-Balance Sheet Arrangements**

We had no off-balance sheet arrangements as of June 30, 2016 and December 31, 2015.

### **Inflation**

We do not believe that inflation has had a material effect on our Company's results of operations.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not Applicable.

**Item 4. Controls and Procedures.**

***Disclosure Controls and Procedures***

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2016. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2016, our disclosure controls and procedures were not effective due to the presence of material weaknesses in internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified the following material weaknesses which have caused management to conclude that, as of June 30, 2016, our disclosure controls and procedures were not effective: (i) inadequate segregation of duties and effective risk assessment; and (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both US GAAP and SEC guidelines.

***Remediation Plan to Address the Material Weaknesses in Internal Control over Financial Reporting***

Our company plans to take steps to enhance and improve the design of our internal controls over financial reporting. During the period covered by this quarterly report on Form 10-Q, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we plan to implement the following changes during our fiscal year ending December 31, 2016: (i) appoint additional qualified personnel to address inadequate segregation of duties and ineffective risk management; and (ii) adopt sufficient written policies and procedures for accounting and financial reporting. The remediation efforts set out are largely dependent upon our securing additional financing to cover the costs of implementing the changes required. If we are unsuccessful in securing such funds, remediation efforts may be adversely affected in a material manner.

We are unable to remedy our controls related to the inadequate segregation of duties and ineffective risk management until we receive financing to hire additional employees.

***Changes in Internal Control over Financial Reporting***

There were no changes in our internal control over financial reporting during the six months ended June 30, 2016 that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

## **PART II-OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

#### Litigation

a)

In April 2014, we were notified that a note holder disputes the balance of his note as recorded on the books of our company. The discrepancy arises from a question regarding expenses that the holder claims were paid on behalf of our company and subsequent payments that we recorded as payments against the note. We have no record of the expenses claimed to be due, and we are in negotiations to settle this matter. We have accrued \$28,000 to cover the potential expenses and adjustments to accrued interest if the claim is substantiated. We believe it has properly accounted for all payments made to the individual and have provided documentation to him substantiating our position.

b)

In May 2014, the Company received notice that a complaint was filed in District Court, Clark County, NV alleging that the Company and various unnamed defendants are liable to a Mr. Renard Wiggins with regard to commissions and equity purportedly owed Mr. Wiggins, for services allegedly rendered in raising capital on behalf of the Company prior to the reverse merger between Alkame Holdings, Inc. (fka Pinnacle Enterprises Inc.) and Alkame Water, Inc. in June 2013. After initial review, the Company has filed for a dismissal of the case with the District Court, does not believe there is any validity to the claims of Mr. Wiggins, and intends to vigorously continue defending against these claims. As of December 31, 2015, all but two claims have been dismissed, and the Company is in court mandated settlement talks to determine if the remaining counts can be dismissed or will require further litigation. On November 15, 2016, the Company entered into a stipulated settlement agreement to issue 200,000,000 common shares in full and final settlement of this matter and all legal complaints are withdrawn. In June 2018, the Company issued 92,780,388 shares of the agreed upon settlement.

The Company may, from time to time, become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. The Company is currently not aware of any such legal proceedings that it believes will have, individually or in the aggregate, a material adverse effect on its business, financial condition or operating results.

### **Item 1A. Risk Factors.**

Not Applicable.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

#### **2016:**



Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

On February 9, 2016, the Company issued 4,500,000 common shares upon conversion of \$7,020 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.0156 per share.

On February 12, 2016, the Company issued 5,000,000 common shares upon conversion of \$6,750 of convertible debt. The shares were issued at a price of \$0.00135 per share.

On February 16, 2016, the Company issued 5,454,545 common shares upon conversion of \$7,500 of convertible debt. The shares were issued at a price of \$0.00138 per share.

On February 16, 2016, the Company issued 2,027,396 common shares upon conversion of \$2,686 of convertible debt and accrued interest. The shares were issued at a price of \$0.0012 per share.

On February 17, 2016, the Company issued 10,226,900 common shares upon conversion of \$8,949 of convertible debt. The shares were issued at a price of \$0.00088 per share.

On February 18, 2016, the Company issued 5,952,381 common shares upon conversion of \$5,000 of convertible debt. The shares were issued at a price of \$0.00084 per share.

On February 22, 2016, the Company issued 18,552,879 common shares upon conversion of \$10,000 of convertible debt. The shares were issued at a price of \$0.00054 per share.

On February 22, 2016, the Company issued 11,904,762 common shares upon conversion of \$5,000 of convertible debt. The shares were issued at a price of \$0.00042 per share.

On February 22, 2016, the Company issued 9,904,429 common shares upon conversion of \$4,160 of convertible debt. The shares were issued at a price of \$0.00042 per share.

On February 23, 2016, the Company issued 7,500,000 common shares upon conversion of \$2,625 of convertible debt. The shares were issued at a price of \$0.00035 per share.

On February 24, 2016, the Company issued 21,636,364 common shares upon conversion of \$5,950 of convertible debt. The shares were issued at a price of \$0.000275 per share.



On February 25, 2016, the Company issued 9,901,698 common shares upon conversion of \$2,099 of convertible debt and accrued interest. The shares were issued at a price of \$0.00021 per share.

On February 26, 2016, the Company issued 10,226,909 common shares upon conversion of \$818 of convertible debt. The shares were issued at a price of \$0.00008 per share.

On February 29, 2016, the Company issued 23,787,879 common shares upon conversion of \$3,925 of convertible debt. The shares were issued at a price of \$0.00016 per share.

On February 29, 2016, the Company issued 7,500,000 common shares upon conversion of \$1,125 of convertible debt. The shares were issued at a price of \$0.00015 per share.

On March 1, 2016, the Company issued 9,904,429 common shares upon conversion of \$1,189 of convertible debt. The shares were issued at a price of \$0.00012 per share.

On March 2, 2016, the Company issued 23,852,814 common shares upon conversion of \$2,755 of convertible debt. The shares were issued at a price of \$0.00012 per share.

On March 7, 2016, the Company issued 21,715,522 common shares upon conversion of \$1,194 of convertible debt. The shares were issued at a price of \$0.00005 per share.

On March 7, 2016, the Company issued 2,102,660 common shares upon conversion of \$116 of convertible debt. The shares were issued at a price of \$0.00005 per share.

On March 7, 2016, the Company issued 23,818,182 common shares upon conversion of \$1,310 of convertible debt. The shares were issued at a price of \$0.00005 per share.

On March 8, 2016, the Company issued 9,725,791 common shares upon conversion of \$195 of convertible debt. The shares were issued at a price of \$0.00002 per share.

Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

On March 10, 2016, the Company issued 9,904,429 common shares upon conversion of \$594 of convertible debt. The shares were issued at a price of \$0.00006 per share.

On March 10, 2016, the Company issued 23,818,182 common shares upon conversion of \$1,310 of convertible debt. The shares were issued at a price of \$0.000055 per share.

On March 11, 2016, the Company issued 9,725,000 common shares upon conversion of \$195 of convertible debt. The shares were issued at a price of \$0.00002 per share.

On March 15, 2016, the Company issued 9,904,429 common shares upon conversion of \$594 of convertible debt. The shares were issued at a price of \$0.00006 per share.

On March 16, 2016, the Company issued 23,818,182 common shares upon conversion of \$1,310 of convertible debt. The shares were issued at a price of \$0.00005 per share.

On March 17, 2016, the Company issued 16,318,490 common shares upon conversion of \$865 of convertible debt and accrued interest. The shares were issued at a price of \$0.00005 per share.

On March 18, 2016, the Company issued 9,904,429 common shares upon conversion of \$594 of convertible debt. The shares were issued at a price of \$0.00006 per share.

On March 23, 2016, the Company issued 20,500,000 common shares upon conversion of \$12,300 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.0006 per share.

On March 23, 2016, the Company issued 9,904,429 common shares upon conversion of \$594 of convertible debt. The shares were issued at a price of \$0.00006 per share.

On May 24, 2016, the Company issued 28,800,000 common shares upon conversion of \$6,912 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00024 per share.

On June 16, 2016, the Company issued 30,250,000 common shares upon conversion of \$3,630 of accounts payable in connection with a settlement under the Section 3(a)10 of the Rules of the SEC. The shares were issued at a price of \$0.00012 per share.

As of June 30, 2016, and December 31, 2015, there were 636,528,654 and 198,485,547 shares of common stock issued and outstanding, respectively.

These securities were issued pursuant to Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder. The investor represented his intention to acquire the securities for investment only and not with a view towards distribution. The investor was given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising. We directed our transfer agent to issue the stock certificates with the appropriate restrictive legend affixed to the restricted stock.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

**ExhibitNo. Description of Exhibit**

31.1\* Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 \* Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  
Certification of Chief Executive Officer pursuant to Section 906 Certifications under Sarbanes-Oxley Act of 2002

Certification of Chief Financial Officer pursuant to Section 906 Certifications under Sarbanes-Oxley Act of 2002

\* Filed herewith.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ALKAME HOLDINGS, INC.**

By

*/s/ Robert Eakle*

Robert Eakle

Chief Executive Officer, President, and Director

(Principal Executive Officer and Principal Accounting Officer)

Date: October 30, 2018