

WaterPure International  
Form 10-Q  
February 24, 2009  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended December 31, 2008

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: 333-135783

WATERPURE INTERNATIONAL, INC.  
(Exact name of registrant as specified in its charter)

Florida  
(State or other jurisdiction of  
incorporation or organization)

20-3217152  
(I.R.S. Employer Identification  
No.)

525 Plymouth Road, Suite 310  
Plymouth Meeting, PA 19462  
(Address of principal executive offices) (zip code)

(954) 728-2405  
(Registrant's telephone number, including area code)

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

Indicate by check mark 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 required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No .

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

Large accelerated filer o  
Non-accelerated filer o  
(Do not check if a smaller reporting  
company)

Accelerated filer o  
Smaller reporting company x

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2) of the Exchange Act.  
Yes  No .

As of February 23, 2009, there were 63,090,586 shares of registrant's common stock outstanding.

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## WATERPURE INTERNATIONAL, INC.

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WATERPURE INTERNATIONAL, INC.  
(A DEVELOPMENT STAGE COMPANY)  
BALANCE SHEETS

	December 31, 2008 (Unaudited)	June 30, 2008
<b>ASSETS</b>		
Cash	\$ -	\$ 5,421
Accounts receivable - net of allowance (\$16,297 at December 31, 2008 and \$2,762 at June 30, 2008)	1,800	-
Inventories	53,635	87,957
Other current assets	6,000	-
<b>Total current assets</b>	<b>61,435</b>	<b>93,378</b>
Trademark	325	325
Intangible asset - license, net of accumulated amortization	1,027,202	1,056,785
<b>Total assets</b>	<b>\$ 1,088,962</b>	<b>\$ 1,150,488</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 116,119	\$ 122,641
Accrued expenses	189,931	133,921
Accrued royalties payable - current	50,000	-
Licensing fees payable - current	82,500	230,000
Notes payable	25,000	25,000
Convertible debt	94,688	50,000
Due to officers	74,403	98,053
Due to stockholders	90,119	105,169
<b>Total current liabilities</b>	<b>722,760</b>	<b>764,784</b>
Accrued royalties payable - net of current portion	700,442	496,373
Licensing fees - net of current portion	255,463	-
<b>STOCKHOLDERS' EQUITY (DEFICIENCY)</b>		
Common stock, par value \$.0001 per share; 100,000,000 authorized	5,354	3,147
Common stock to-be-issued	10,000	355,000
Additional paid-in-capital	3,639,206	2,998,146
Deficit accumulated during the development stage	(4,244,263)	(3,466,962)
<b>Total stockholders' deficiency</b>	<b>(589,703)</b>	<b>(110,669)</b>

Total liabilities and stockholders' equity (deficiency)	\$ 1,088,962	\$ 1,150,488
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The accompanying notes are an integral part of these financial statements.

WATERPURE INTERNATIONAL, INC.  
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS AND SIX MONTHS ENDED DECEMBER 31, 2008 AND DECEMBER 31, 2007  
AND FOR THE PERIOD FROM JULY 22, 2005 (INCEPTION) THROUGH DECEMBER 31, 2008  
(Unaudited)

	Three months ended December 31, 2008	Three months ended December 31, 2007	Six months ended December 31, 2008	Six months ended December 31, 2007	July 22, 2005  (inception) through December 31, 2008
REVENUES	\$ 35,120	\$ 4,168	\$ 83,132	\$ 21,347	\$ 155,062
COST OF GOODS SOLD	20,077	4,825	51,165	19,481	122,232
Gross profit	15,043	(657)	31,967	1,866	32,830
<b>EXPENSES</b>					
General and administrative expenses	299,671	200,661	728,648	428,347	4,096,545
LOSS FROM OPERATIONS	(284,628)	(201,318)	(696,681)	(426,481)	(4,063,715)
Interest expense	4,067	3,445	6,317	6,445	36,657
Accretion of accrued royalties	9,023	-	37,532	-	69,041
Amortization expense	21,029	5,397	36,771	5,397	74,850
Loss before provision for income taxes	(318,747)	(210,160)	(777,301)	(438,323)	(4,244,263)
Provision for income taxes	-	-	-	-	-
Net loss	\$ (318,747)	\$ (210,160)	\$ (777,301)	\$ (438,323)	\$ (4,244,263)
Net loss per share basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.18)
Weighted average per common share	43,849,283	22,412,125	40,126,518	21,897,508	24,221,880

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





WATERPURE INTERNATIONAL, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)  
FOR THE PERIOD FROM JULY 22, 2005 (INCEPTION) THROUGH DECEMBER 31, 2008

	Common stock to-be-issued		Common stock issued and outstanding		Additional paid-in-capital	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
	Shares	Amount	Shares	Amount			
Balance July 22, 2005 (inception)	-	\$ -	-	\$ -	\$ -	\$ -	\$ -
Common stock to be issued in connection with Incorporation (July 22, 2005)	4,000,000	10,000	-	-	-	-	10,000
Common stock to be issued for consulting services	16,150,000	40,375	-	-	-	-	40,375
Common stock issued - private placement, net of issuance costs of \$58,255	461,750	126,445	-	-	-	-	126,445
Net loss	-	-	-	-	-	(64,361)	(64,361)
Balance June 30, 2006	20,611,750	176,820	-	-	-	(64,361)	112,459
Issuance of shares	(20,611,750)	(176,820)	20,611,750	2,061	174,759	-	-
Beneficial conversion of loan discount	-	-	-	-	18,750	-	18,750
Common stock issued for consulting services	-	-	660,000	66	622,334	-	622,400
Issuance of options for compensation	-	-	-	-	231,300	-	231,300

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Net loss	-	-	-	-	-	(1,113,231)	(1,113,231)
Balance June 30, 2007	-	-	21,271,750	2,127	1,047,143	(1,177,592)	(128,322)
Common stock to-be-issued	1,750,000	355,000	-	-	-	-	355,000
Issuance of shares	-	-	4,330,000	433	468,567	-	469,000
Issuance of shares as repayment of amount due to stockholders	-	-	467,626	47	70,097	-	70,144
Common stock issued for consulting services	-	-	5,277,500	528	829,101	-	829,629
Issuance of options for compensation	-	-	-	-	582,937	-	582,937
Exercise of options	-	-	125,000	12	301	-	313
Net loss	-	-	-	-	-	(2,289,370)	(2,289,370)
Balance June 30, 2008	1,750,000	355,000	31,471,876	3,147	2,998,146	(3,466,962)	(110,669)

WATERPURE INTERNATIONAL, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY(DEFICIENCY)  
FOR THE PERIOD FROM JULY 22, 2005 (INCEPTION) THROUGH DECEMBER 31, 2008  
(continued)

	Common stock to-be-issued		Common stock issued and outstanding		Additional paid-in-capital	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
	Shares	Amount	Shares	Amount			
Cancellation of common stock to-be-issued (unaudited)	(1,500,000)	(330,000)	-	-	-	-	(330,000)
Issuance of shares (unaudited)	(250,000)	(25,000)	250,000	25	24,975	-	-
Issuance of shares as repayment of amount due to officers (unaudited)	-	-	1,000,000	100	49,900	-	50,000
Issuance of shares as repayment of amount due to stockholders (unaudited)	-	-	666,111	67	41,483	-	41,550
Beneficial conversion of debt discounts (unaudited)	-	-	-	-	22,500	-	22,500
Common stock issued for consulting services (unaudited)	-	-	20,152,600	2,015	502,202	-	504,217
Common stock to-be-issued (unaudited)	1,000,000	10,000	-	-	-	-	10,000
Net loss (unaudited)	-	-	-	-	-	(777,301)	(777,301)
Balance December 31, 2008 (unaudited)	1,000,000	\$ 10,000	53,540,587	\$ 5,354	\$ 3,639,206	\$ (4,244,263)	\$ (589,703)

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



WATERPURE INTERNATIONAL, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2008 AND DECEMBER 31, 2007 AND FOR THE PERIODS  
FROM JULY 22, 2005 (INCEPTION) THROUGH DECEMBER 31, 2008  
(UNAUDITED)

	Six months ended December 31, 2008	Six months ended December 31, 2007	July 22, 2005 (inception) through December 31, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (777,301)	\$ (438,323)	\$ (4,244,263)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accretion of accrued royalties and licensing fees	37,532	-	69,041
Amortization of intangible asset - license	29,583	5,397	67,662
Common stock issued for consulting services	504,217	164,187	1,996,621
Issuance of stock options - employee	-	-	814,237
Amortization of beneficial conversion discount	7,188	-	25,938
Changes in operating assets and liabilities			
(Increase)/Decrease in:			
Accounts receivable	(1,800)	6,904	(1,800)
Other receivables	-	7,000	-
Other current assets	(6,000)	(30)	(6,000)
Inventories	34,322	(47,154)	(53,635)
Increase/(Decrease) in:			
Accounts payable and accrued expenses	56,488	13,411	306,050
Net cash used in operating activities	(115,771)	(288,608)	(1,026,149)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of license	(12,500)	(50,000)	(75,500)
Trademark	-	-	(325)
Net cash used in investing activities	(12,500)	(50,000)	(75,825)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net proceeds from private placement	-	-	126,445
Proceeds from sale of founders shares	-	-	10,000
Net proceeds from sale of stock and exercise of stock options	10,000	202,313	504,313
Proceeds from notes payable	-	-	50,000
Repayment of notes payable	-	(20,000)	(25,000)
Advances from officers	26,350	65,898	124,403
Advances from stockholders	26,500	109,033	201,813

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Proceeds from convertible debt	60,000	-	110,000
Net cash provided by financing activities	122,850	357,244	1,101,974
NET INCREASE/(DECREASE) IN CASH	(5,421)	18,636	-
CASH, beginning of period	5,421	10,918	-
CASH, end of period	\$ -	\$ 29,554	\$ -

Supplemental disclosures of cash flow information:

1The Company issued 1,666,111 shares of common stock valued at \$91,550 as repayment of amounts due to stockholders and officers as described in Notes 6 .

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

WATERPURE INTERNATIONAL, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial reporting. Certain information and footnote disclosures normally included in the Company's annual financial statements have been condensed or omitted. In the Company's opinion, the unaudited interim financial statements and accompanying notes reflect all adjustments, consisting of normal and recurring adjustments, that are necessary for a fair presentation of its financial position and operating results for the interim periods ended December 31, 2008 and 2007 and cumulative period from inception (July 22, 2005) to December 31, 2008.

The results of operations for the interim periods are not necessarily indicative of the results to be expected for the entire fiscal year. This Form 10-Q should be read in conjunction with the audited financial statements and notes there to included in the Company's Form 10-K as of June 30, 2008 and for the period commencing from inception (July 22, 2005) through June 30, 2008.

NOTE 2 - GOING CONCERN/MANAGEMENT'S PLAN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has incurred a net loss since its inception totaling \$4,244,263 has earned minimal revenues and has a working capital deficit as of December 31, 2008. These matters raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include adjustments that might result from the outcome of this uncertainty. In order to generate revenues and the working capital needed to continue and expand operations, the Company's management has committed to a plan for increasing retail distribution channels for its products and raising additional capital. There can be no assurances, however, that the Company will be able to obtain the necessary funding to finance their operations or grow revenue in sufficient amounts to fund their operations.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

WaterPure International, Inc. (a development stage company) (the "Company") was incorporated in the state of Florida on July 22, 2005, for the purpose of marketing selected private label products and services to the small office and/or home office as well as the consumer markets. The Company intends to market and eventually to manufacture licensed Atmospheric Water Generators from Everest Water Ltd., devices which harvest pure drinking water from ambient air. These machines are engineered to produce drinking water virtually free of any material, bacterial, organic or other contaminants. The Company also intends to market Mineral Additives that will permit addition of organic minerals, flavors and other desired additives to water produced by the machine. The products will bear the Company's own exclusive WaterPure branding.

DEVELOPMENT STAGE COMPANY

The Company is considered a development stage company as defined by Statement of Financial Accounting Standards (SFAS) No. 7, "Accounting and Reporting by Development Stage Enterprises," as it has no principal operations and

minimal revenue. Operations from the Company's inception through December 31, 2008 were devoted primarily to strategic planning, raising capital and developing revenue-generating opportunities.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.



WATERPURE INTERNATIONAL, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

The Company considers financial instruments with a maturity date of three months or less from the date of purchase to be cash equivalents. The Company had no cash equivalents at December 31, 2008 and June 30, 2008.

ACCOUNTS RECEIVABLE

The Company makes judgments about the collectibility of accounts receivable to be able to present them at their net realizable value on the balance sheet. Such judgments require careful analysis of the aging of customer accounts, consideration of why accounts have not been paid, and review of historical bad debt issues. From this analysis, the Company determines an estimated allowance for receivables that will ultimately become uncollectible. As of December 31, 2008, the Company had an allowance for bad debts of \$16,297.

INVENTORIES

The Company states inventories at the lower of cost or market. As of December 31, 2008, inventories consisted of purchased finished goods, plus directly attributable acquisition costs. Cost of inventory is determined using the weighted-average cost method. The Company assesses the need to establish inventory reserves for excess, obsolete or slow-moving inventory based on changes in customer demand, technology developments and other factors.

LONG-LIVED ASSETS AND OTHER INTANGIBLE ASSETS

The Company accounts for its long-lived assets in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets”, which requires that intangible assets with finite lives be amortized over their respective estimated lives and No. 144, “Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed of,” which requires that long-lived assets and certain intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If undiscounted expected future cash flows are less than the carrying value of the long-lived assets, an impairment loss is to be recognized based on the fair value of the assets.

CONVERTIBLE DEBT

The Company accounts for its convertible debt in accordance with the provisions of Emerging Issues Task Force Issue (“EITF”) 98-5 “Accounting for Convertible Securities with Beneficial Conversion Features” (“EITF 98-5”) and EITF 00-27 “Application of EITF 98-5 to Certain Convertible Instruments” (“EITF 00-27”) which require the embedded beneficial conversion features present in convertible securities be valued separately at issuance and recognized and measured by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital.

REVENUE RECOGNITION

The Company recognizes revenue in accordance with Securities and Exchange Commission (“SEC”) Staff Accounting Bulletin (“SAB”) No. 104, “Revenue Recognition,” which outlines the four basic criteria that must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectibility is reasonably assured. Determination of criteria (3)

and (4) are based on management's judgments regarding the fixed nature of the fee charged for services rendered and products delivered and the collectibility of those fees.

#### INCOME TAXES

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Differences between the financial statement and

WATERPURE INTERNATIONAL, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

CONCENTRATIONS OF CREDIT RISK

The Company's financial instruments that are exposed to a concentration of credit risk are cash and accounts receivable. The Company places its cash with a high credit quality institution. At December 31, 2008, the Company's cash balance on deposit did not exceed federal depository insurance limits. The Company routinely assesses the financial strengths of its customers and, as a result, believes that its accounts receivable, net of reserves, credit risk exposure is limited.

FAIR VALUE OF FINANCIAL INSTRUMENTS

FAS No. 107, Fair Value of Financial Instruments, requires disclosure of the fair value of financial instruments for which determination of fair value is practicable. SFAS No. 107 defines the fair value of a financial instrument as the amount at which the instruments could be exchanged in a current transaction between willing parties. The carrying amount of cash, accounts receivable, accounts payable and accrued expenses, due to officers and due to stockholders approximates fair value because of the immediate or short-term maturity of these financial instruments. The fair value of the notes payable was estimated by discounting the future cash flows using current rates offered by lenders for similar borrowings with similar credit ratings. The fair value of the notes payable approximate their carrying value. The fair value of the convertible notes is not determinable because of the lack of any quoted market price or trading activity in the instruments (see Notes 5 and 7 for a description of these instruments). The carrying value of the accrued royalties payable approximate fair value and was estimated by discounting future cash flows using a 12% discount rate. The Company's financial instruments are held for other than trading purposes.

NET LOSS PER COMMON SHARE

The Company presents basic earnings (loss) per share and, if applicable, diluted earnings per share pursuant to the provisions of SFAS No. 128, Earnings per Share. Basic earnings (loss) per share are calculated by dividing net income or loss by the weighted average number of common shares outstanding during each period.

STOCK BASED COMPENSATION AND PAYMENTS

The Company accounts for equity instruments exchanged for services in accordance with FAS No. 123(R), "Share-Based Payments." And EITF 96-18, "Accounting for Equity Investments that are Issued to Other than Employees for Acquiring, or in Conjunction with selling, Goals or Services." Under the provisions of FAS No. 123(R), share-based compensation issued to employees is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite service period (generally the vesting period of the grant). Share-based compensation issued to non-employees is measured at grant date, based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more readily measurable, and is recognized as an expense over the requisite service period.

RECENT ACCOUNTING PRONOUNCEMENTS

There are no accounting pronouncements not yet adopted that are expected to have a significant impact on the Company.



WATERPURE INTERNATIONAL, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS

## NOTE 4 – INTANGIBLE ASSETS - LICENSE

On December 7, 2007, the Company entered into licensing agreements with Everest Water LTD for the manufacturing and marketing rights to atmospheric water generators and mineral additive units. The Company agreed to pay \$300,000, plus 1,500,000 shares of the Company's common stock valued at \$330,000 as consideration under this agreement. The Company paid \$50,000 with the execution of the agreement and an additional \$20,000 through July 31, 2008. On August 1, 2008, the Company and Everest Water LTD modified the payment terms of their licensing agreement. Under the amended payment terms, the Company cancelled the shares to be issued to Everest and agreed to pay Everest \$430,000 over 33 months starting September 1, 2008, plus 8% royalty payments with guarantee minimum payments as follows: \$50,000 in year one, \$60,000 in year two, \$70,000 in year three, \$90,000 in year four and \$100,000 each year after until the termination of the licensing agreement which coincides with the expiration of the last patent in August 2027.

The following table summarizes the various components of the Everest license as of December 31, 2008:

	December 31, 2008	June 30, 2008
Amended value of license described above	\$ 1,094,864	\$ 1,094,864
Less: accumulated amortization	67,662	38,079
License, net	\$ 1,027,202	\$ 1,056,785

Total amortization for the six months ended December 31, 2008 and 2007 was \$29,583 and 5,397, respectively.

## Contingencies - Royalties

Pursuant to the licensing agreement as described above, the Company will pay Everest Water LTD an 8% royalty payment with a guaranteed minimum payment. The Company has recognized a liability of \$750,442, which represents the present value of the minimum royalty payments the effective discount rate.

## NOTE 5 – NOTES PAYABLE

The Company entered into a Securities Purchase Agreement with accredited investors on May 21, 2007 for the issuance of two \$25,000 notes for a total of \$50,000. The notes payable accrue interest at 12% per annum and were due six-months from the date of issuance. On November 15, 2007, the terms of these notes were extended for an additional six months.

During the year ended June 30, 2008, the Company repaid one of the \$25,000 notes. The other note is currently in default and is included in current liabilities on the balance sheets.

## NOTE 6 – ADVANCES FROM OFFICERS AND SHAREHOLDERS

Officers and stockholders of the Company have provided various short-term working capital advances. During the six months ended December 31, 2008, short-term working capital advances from officers and stockholders under this borrowing arrangement totaled \$26,350 and \$26,500 respectively. During the six months ended December 31, 2007, short-term working capital advances from officers and stockholders under this borrowing arrangement totaled \$65,898 and \$109,033 respectively. The Company issued 666,111 shares of common stock as repayment for \$41,550 of the

amount due to stockholders and issued 1,000,000 shares of common stock as repayment for \$50,000 of the amount due to officers during the six months ended December 31, 2008. The Company does not intend to pay interest on the principal borrowed from officers and stockholders as the advances are intended to be short-term.

WATERPURE INTERNATIONAL, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – CONVERTIBLE DEBT

The Company entered into a Securities Purchase Agreement with accredited investors on May 21, 2007 for the issuance of an aggregate of \$50,000 of convertible notes. The convertible notes accrue interest at 12% per annum and are due two years from the date of the note. The note holder has the option to convert any unpaid note principal to the Company's common stock at a rate of \$0.25 per share. In accordance with EITF 98-5, during the year ended June 30, 2007, the Company recorded a debt discount of \$18,750 on the debt, representing the intrinsic value of the beneficial conversion features based upon the difference between the fair value of the underlying common stock at the commitment date and the effective conversion price embedded in the debt. The Company determined the commitment date of the loans to be the date of the agreement.

The Company entered into a Securities Purchase Agreement with accredited investors on July 30, 2008 for the issuance of an aggregate of \$50,000 of convertible notes. The convertible notes accrue interest at 8% per annum and are due one year from the date of the note. The note holders have the option to convert any unpaid note principal to the Company's common stock at a 30% discount to the average five day stock price prior to conversion. In accordance with EITF 98-5, during the six months ended December 31, 2008, the Company recorded a debt discount of \$15,000 on the debt, representing the intrinsic value of the beneficial conversion features based upon the difference between the fair value of the underlying common stock at the commitment date and the effective conversion price embedded in the debt. The Company determined the commitment date of the loans to be the date of the agreement.

The Company entered into a Securities Purchase Agreement with accredited investors on November 18, 2008 for the issuance of an aggregate of \$10,000 of convertible notes. The convertible notes accrue interest at 12% per annum and are due one year from the date of the note. The note holder has the option to convert any unpaid note principal to the Company's common stock at a rate of \$0.005 per share. In accordance with EITF 98-5, during the six months ended December 31, 2008, the Company recorded a debt discount of \$7,500 on the debt, representing the intrinsic value of the beneficial conversion features based upon the difference between the fair value of the underlying common stock at the commitment date and the effective conversion price embedded in the debt. The Company determined the commitment date of the loans to be the date of the agreement.

NOTE 8 - STOCKHOLDERS' EQUITY

During the six-months ended December 31, 2008, the Company sold 1,000,000 shares of its common stock for \$.01 per share or \$10,000. The fair value of the shares was determined based on the closing market price of the shares at the date of the agreements. These shares have not been issued as of December 31, 2008.

During the six-months ended December 31, 2008, the Company issued 20,152,600 shares of its common stock for consulting services totaling \$504,217.

During the six-months ended December 31, 2008, the Company issued 666,111 shares of common stock as repayment of \$41,550 of the amount due to stockholders and issued 1,000,000 shares of common stock as repayment of \$50,000 of the amount due to officers.

During the six months ended December 31, 2008, the Company cancelled 1,500,000 shares of common stock to be issued in accordance with an amendment to the repayment terms of its licensing agreement in the amount of \$330,000 (Note 4).

During the six month ended December 31, 2008, the Company issued 25,000 shares of common stock previously classified as to be issued.

NOTE 9 – STOCK OPTIONS

At the time of inception (July 22, 2005), the Company issued 125,000 options to one of its consultants for services rendered. The exercise price was \$.0025, the options were immediately exercisable, and expired five years from the grant date. These options were exercised on August 29, 2007.

During the year ended June 30, 2007, the Company issued 500,000 options to one of its executive officers. The exercise price is \$0.55, which was the price of the Company's common stock on the grant date. The options are immediately exercisable and expire five years from the grant date. The fair value of the options was estimated at the date of grant using the Black-Scholes option price model.



WATERPURE INTERNATIONAL, INC.  
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NOTES TO FINANCIAL STATEMENTS

## NOTE 9 – STOCK OPTIONS (continued)

During the year ended June 30, 2008, the Company issued 100,000 options to one of its executive officers. The exercise price is \$0.07, which was the price of the Company's common stock on the grant date. The options are immediately exercisable and expire five years from the grant date. The fair value of the options was estimated at the date of grant using the Black-Scholes option price model. The Company determined that the stock option compensation was \$6,845 and was recognized during the year ended June 30, 2008.

During the year ended June 30, 2008, the Company also issued 3,000,000 options to one of its executive officers. The exercise price was \$0.10, which is a discount to the price of the Company's common stock price of \$.20 on the grant date. The options are immediately exercisable and expire five years from the grant date. The fair value of the options was estimated at the date of grant using the Black-Scholes option price model. The Company determined that the stock option compensation was \$576,092 and was recognized during the year ended June 30, 2008.

To determine the fair value of the options granted during the year ended June 30, 2008, the Company used the following assumptions in its Black-Scholes option -price calculation:

Issue date	June 30, 2007	January 1, 2008	June 30, 2008
Options issued	500,000	3,000,000	100,000
Risk-free interest rate	5%	3%	3%
Expected option life	5 years	5 years	5 years
Dividend yield	0%	0%	0%
Volatility	120%	157%	194%
Exercise price	\$0.55	\$0.10	\$0.07

These assumptions were determined as follows:

- The risk free interest rate for the period within the contractual life of the option is based on the 5-year U.S. Treasury yield at the time of the grant.
- The expected term of the options granted represents the period of time that the options granted are expected to be outstanding.
- Historically, the Company has not paid a dividend on its common shares and does not expect to do so in the future.
- The volatility assumption represents an expectation of the volatility of the price of the underlying shares for the expected term of the option, considering factors such as historical stock price and stock volatility of other companies within the industry.

WATERPURE INTERNATIONAL, INC.  
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## NOTE 9 – STOCK OPTIONS (continued)

The following is a summary of the status of stock option activity for the period from inception (July 22, 2005) through December 31, 2008:

	Options	Weighted Average Exercise Price
Outstanding as of July 22, 2005 (inception)	-	\$ -
Granted	125,000	0.0025
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding as of June 30, 2006	125,000	\$ 0.0025
Granted	500,000	0.5500
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding as of June 30, 2007	625,000	\$ 0.4400
Granted	3,100,000	0.0990
Exercised	125,000	0.0025
Forfeited	-	-
Expired	-	-
Outstanding as of June 30, 2008	3,600,000	\$ 0.1610
Granted	-	-
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding as of December 31, 2008	3,600,000	\$ 0.1610

No options were exercised and no funds were received from the exercise of options during the six-month period ended December 31, 2008.

## NOTE 10 - RELATED PARTY TRANSACTIONS

## LEASE

The Company subleases its office space from Stein, Feldman and Sampson, LLC, of which, Mr. Orr, the Company's Chief Financial Officer is affiliated, for \$500 per month on a month-to-month basis.

## DUE TO OFFICERS AND STOCKHOLDERS

During the six-months ended December 31, 2008, the Company received advances, made repayments, and had amounts due to officers and stockholders as disclosed in Note 6.



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NOTE 11 - INCOME TAXES

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN No. 48"), on July 1, 2007. FIN No. 48 requires that the impact of tax positions be recognized in the financial statements if they are more likely than not of being sustained upon examination, based on the technical merits of the position. As discussed in the June 30, 2008 financial statements in the Form 10-K, the Company has a valuation allowance against the full amount of its net deferred tax assets. The Company currently provides a valuation allowance against deferred tax assets when it is more likely than not that some portion, or all of its deferred tax assets, will not be realized. There was no impact to the Company as a result of adopting FIN No. 48 as the Company's management has determined that the Company has no uncertain tax positions requiring recognition under FIN No. 48 both on July 1, 2007 (adoption) and on December 31, 2008.

The Company is subject to U.S. federal income tax as well as income tax of certain state jurisdictions. The Company has not been audited by the I.R.S. or any states in connection with income taxes. The periods from inception – 2007 remain open to examination by the I.R.S. and state authorities.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense. Penalties, if incurred, are recognized as a component of tax expense.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to December 31, 2008, the Company at various times sold 2,999,999 shares of its common stock for \$22,500. The fair value of the shares was determined based on the closing price of the shares at the date of the agreements.

Subsequent to December 31, 2008, the Company at various times issued 6,550,000 shares of its common stock for consulting services totaling \$65,500.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. Those statements include statements regarding the intent, belief or current expectations of us and members of our management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission. Important factors currently known to Management could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. We believe that our assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of our future activities will not differ materially from our assumptions. Factors that could cause differences include, but are not limited to, expected market demand for our products, fluctuations in pricing for materials, and competition.

### Overview

WaterPure International, Inc. was organized under the laws of the state of Florida on July 22, 2005 and conducts business as a marketer of the WaterPure Atmospheric Water Generator ("AWG"), a branded product of ours. We are structured expressly as a marketing entity and therefore, we do not engage in the design, development or manufacturing of products, however, we do intend to manufacture our own licensed products in the future. We intend to operate in North America, South America and the Caribbean providing various versions of our devices, which produce drinking water from ambient air.

We are a development stage company, currently selling our products through our distribution and marketing programs, which consists of placing our product in retail establishments and through distributors. In December 2007, we entered into an agreement with Everest Water Ltd., which was amended on August 4, 2008, for the manufacturing and marketing rights to advanced models of our product. Our primary focus will be on strengthening the defined sales channels and supporting them with meaningful marketing programs to the extent that funds are available. We have sold our first units and have generated minimal revenues from operations.

We want to be identified as an environmentally sustainable business. Clean drinking water is becoming a scarce commodity as our population increases. Pollution from sewage, industry, agriculture and acid rain has destroyed surface water reservoirs and aquifers. Water generation treatment and filtration is poised to be an important humanitarian industry as we learn more about global warming.

Our product line consists of three AWGs suitable for home and small office use and for higher volume office or commercial use. In December 2007, we entered into two worldwide license agreements with Everest Water Ltd. for the manufacturing and marketing rights to advanced models of AWGs. One license is a non-exclusive license for a stand-alone water generator and the second license is an exclusive license for a mineral additive water generator process that will permit the addition of organic minerals, flavors and other additives to the water produced by the machine.

We previously purchased our products from a manufacturer in South Korea under an Original Equipment Manufacturer arrangement. However, as a result of a lack of financing to purchase AWGs and uncertainty regarding the manufacturer's ability to deliver in accordance with orders, we have chosen not to continue our supply relationship with the Korean manufacturer, but we may reestablish the relationship at any time. Currently, we are selling the remaining inventory from our original purchases from the Korean manufacturer and purchasing additional AWGs from H2O Liquid Air-Florida and another supplier in North Carolina on an as-needed basis.

During the three months ended December 31, 2008 we made several important additions to our marketing and product development operations by way of relationships with five key independent consultants:

- The founder of Eco Green Development, an environmentally based business support company, is leading our efforts by adding qualified local, regional and master distributors;

- We hired a veteran marketing specialist, as our major accounts representative calling on Big Box retailers and other large volume prospects;
- A consulting chemical engineer is assisting us in our research and development efforts including strategic product development and innovative methods of improving performance of our Atmospheric Water Generators;
- We hired a Project Manager for the development of our new Water Cycle AWG. He gained his knowledge and experience with water purification and desalination processes and refrigeration systems during his tenure with the US Navy; and
- A senior partner of the Referral Institute and executive director of BNI-Business Network International in Fort Lauderdale has joined the Company as a marketing consultant.

### Results of Operations

For the Period from July 22, 2005 (Inception) through December 31, 2008

Since we were formed on July 22, 2005, we have earned approximately \$155,000 in revenues and have incurred a cumulative net loss since our inception of approximately \$4,250,000 through December 31, 2008. Operations from inception through December 31, 2008 were devoted primarily to strategic planning, raising capital and developing revenue-generating opportunities.

### Liquidity and Capital Resources

As of December 31, 2008, we have a working capital deficit of \$661,325, have earned minimal revenues and have incurred a net loss from our inception through December 31, 2008 totaling \$4,244,263.

We have financed our losses through the sale of our common stock, issuance of common stock for services in lieu of cash, and loans from officers and stockholders. During the six months ended December 31, 2008, we received the following capital infusions: \$10,000 from the sale of 1,000,000 shares of our common stock and loans from officers and stockholders totaling \$26,350 and \$26,500, respectively. In addition, during the six months ended December 31, 2008, in lieu of cash payments, we issued 20,152,600 shares of common stock valued at approximately \$504,217 for services rendered. We issued 1,000,000 and 666,111 shares of our common stock to repay \$50,000 and \$41,550 in advances from officers and stockholders, respectively. We do not intend to pay interest on the advances borrowed from officers and stockholders as the advances are intended to be short-term.

On July 30, 2008, we entered into a Securities Purchase Agreement with accredited investors for the issuance of an aggregate of \$50,000 of convertible notes. The convertible notes accrue interest at 8% per annum and are due one year from the date of the convertible notes. The note holders have the option to convert any unpaid note principal in shares of our common stock at a 30% discount to the average five day stock price prior to conversion.

On November 18, 2008, we entered into a Securities Purchase Agreement with accredited investors for the issuance of an aggregate of \$10,000 of convertible notes. The convertible notes accrue interest at 12% per annum and are due one year from the date of the convertible notes. The note holders have the option to convert any unpaid note principal in shares of our common stock at a price of \$.005 per share.

We do not have enough capital to support operations for the next twelve months. We anticipate we will need approximately \$2 million, consisting of approximately \$900,000 for manufacturing, \$200,000 for sales and marketing and \$800,000 for general and administrative expenses and working capital. An additional \$100,000 would be utilized for the production and execution of our marketing support program. We currently do not have any commitments for

additional capital, and have no assurances that capital will be available on terms acceptable to us, or at all.

Our independent registered public accounting firm have included a going concern paragraph in their opinion on our consolidated financial statements for the fiscal year ended June 30, 2008 that states there is substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to access capital through debt and equity funding as well as market and sell our various products.



### Critical Accounting Policies

Our financial statements are prepared based on the application of accounting principles generally accepted in the United States of America. These accounting principles require us to exercise significant judgment about future events that affect the amounts reported throughout our financial statements. Actual events could unfold quite differently than our previous judgments had predicted. Therefore, the estimates and assumptions inherent in the financial statements included in this report could be materially different once those actual events are known. We believe the following policies may involve a higher degree of judgment and complexity in their application and represent critical accounting policies used in the preparation of our financial statements. If different assumptions or estimates were used, our financial statements could be materially different from those included in this report.

### Revenue Recognition

We recognize revenues in accordance with Staff Accounting Bulletin 104, Revenue Recognition in Financial Statements (SAB 104). We sell atmospheric water generators. Revenue from such product sales is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectibility is probable. At this time the earnings process is complete and the risks and rewards of ownership have transferred to the customer, which is generally when the goods are shipped and all our significant obligations have been satisfied.

### Accounts Receivable

We must make judgments about the collectibility of our accounts receivable to be able to present them at their net realizable value on the balance sheet. To do this, we carefully analyze the aging of our customer accounts, try to understand why accounts have not been paid, and review historical bad debt problems. From this analysis, we record an estimated allowance for receivables that we believe will ultimately become uncollectible. As of December 31, 2008, we had an allowance for bad debts of \$16,297. We actively manage our accounts receivable to minimize our credit risks and believe that our current allowance for doubtful accounts is fairly stated.

### Reliability of Inventory Values

We make judgments about the ultimate realizability of our inventory in order to record our inventory at its lower of cost or market. These judgments involve reviewing current demand for our products in comparison to present inventory levels and reviewing inventory costs compared to current market values.

### Recent Accounting Pronouncements

There are no accounting pronouncements not yet adopted that are expected to have a significant impact on us.

### ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required under Regulation S-K for “smaller reporting companies.”

### ITEM 4T - CONTROLS AND PROCEDURES

#### a) Evaluation of disclosure controls and procedures.

The Company, under the supervision and with the participation of its management, including the principal executive officer and recently appointed principal financial officer, has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Act”) as of the end of the period covered by this report (the “Disclosure Controls”). Based upon the Disclosure Controls evaluation, the principal executive officer and principal financial officer have concluded that the Company’s disclosure controls and procedures were not effective in connection with preparing this Quarterly Report on Form 10-Q due to a material weakness in the Company’s internal control over financial reporting, mainly its financial closing, review and analysis process. The Company determined on February 13, 2009 that a restatement of its financial statements for the quarter ended September 30, 2008 was necessary due to certain clerical errors. The restatement was required to properly reflect the Company’s financial results for certain accounting related to accrued royalties and licensing fees. The amended quarterly report on Form 10-Q/A was filed with the Securities and Exchange Commission on February 20, 2009.

The Company believes that the issues surrounding the restatement of this report, mainly the internal controls related to the financial closing, review, and analysis process has been addressed and the Company has taken additional steps to avoid the reoccurrence of this condition by instituting a policy requiring the Chief Financial Officer, at the end of each quarter, to review the Company’s current licensing agreements to ensure that all royalty and licensing fees have been properly recorded and that appropriate adjustments to previously accrued royalties and licensing fees are recorded, if necessary. The Company believes that these additional efforts taken by management since the end of the quarter ended September 30, 2008 to strengthen the Company’s internal controls will be effective in future periods.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

The Company’s internal control over financial reporting has been modified subsequent to the Company’s most recent fiscal quarter as disclosed above to address deficiencies in the financial closing, review and analysis process, which has materially improved the Company’s internal control over financial reporting.

#### (b) Changes in internal control over financial reporting.

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

We made the changes as specified above in our internal control over financial reporting that occurred subsequent to the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

We are currently not a party to any material legal proceedings or claims.

### Item 1A. Risk Factors

Not required under Regulation S-K for “smaller reporting companies.”

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

During the six months ended December 31, 2008, we sold 1,000,000 shares of our common stock to accredited investors for aggregate proceeds of \$10,000.

During the six months ended December 31, 2008, in lieu of cash payments, we issued 20,152,600 shares of common stock valued at approximately \$504,217 for services rendered.

During the six months ended December 31, 2008, we issued 1,000,000 and 666,111 shares of our common stock to repay \$50,000 and \$41,550 in advances from officers and stockholders, respectively.

On November 18, 2008, we entered into a Securities Purchase Agreement with accredited investors for the issuance of an aggregate of \$10,000 of convertible notes. The convertible notes accrue interest at 12% per annum and are due one year from the date of the convertible notes. The note holders have the option to convert any unpaid note principal in shares of our common stock at a price of \$.005 per share.

### Item 3. Defaults Upon Senior Securities

We are currently in default on a \$25,000 note, which was due May 15, 2008.

### Item 4. Submission of Matters to a Vote of Security Holders

On December 17, 2008 the Company’s shareholders elected as the Company’s directors for a one-year term Paul S. Lipschutz and Robert F. Orr.

On December 17, 2008 the Company’s shareholders voted in favor to amend and restate Article 4 of the Certificate of Incorporation, which allows the Company to issue two classes of stock ; 250,000,000 shares of Common Stock, par value \$0.0001 and 1,000,000 shares of Preferred Stock, par value \$0.001.

### Item 5. Other Information.

None.

### Item 6. Exhibits

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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.

WATERPURE INTERNATIONAL, INC.

Date: February 23, 2009

By: /s/ PAUL S. LIPSCHUTZ  
Paul S. Lipschutz  
President (Principal Executive  
Officer)

Date: February 23, 2009

By: /s/ ROBERT F. ORR  
Robert F. Orr  
Chief Financial Officer (Principal  
Financial Officer and Principal  
Accounting Officer)