WaterPure International
Form 10-Q
May 20, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2011

or

¨ 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	20-3217152
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

(954) 731-2002
(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 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 o No o

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	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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

As of May 19, 2011, there were 246,699,744 shares of the registrant’s common stock outstanding.

WATERPURE INTERNATIONAL, INC.

INDEX

2

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

	March 31, 2011 (unaudited)	June 30, 2010
ASSETS		
Cash	$20,303	$45,740
Accounts receivable - net	3,450	1,000
Inventories	72,377	78,723
Total current assets	96,130	125,463
Trademark	325	325
Security deposit	6,000	6,000
Intangible asset - license, net of accumulated amortization	876,835	926,286
Total assets	$979,290	$1,058,074
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Accounts payable	$290,592	$127,460
Accrued expenses	304,254	291,908
Deposits	6,750	-
Deferred revenue	14,400	-
Accrued royalties payable - current	615,965	30,000
Licensing fees - current	344,145	57,500
Notes payable and advances	155,000	40,000
Convertible notes payable	416,620	214,429
Derivative liability	50,000	-
Due to officers	106,080	88,508
Due to stockholders	29,500	104,796
Total current liabilities	2,333,306	954,601
Accrued royalties payable - net of current portion	-	520,154
Licensing fees - net of current portion	-	259,774
Deferred revenue -net of current portion	168,700	186,100
Total liabilities	2,502,006	1,920,629
STOCKHOLDERS' EQUITY DEFICIENCY		
	22,361	14,903

Common stock, par value $.0001 per share; 500,000,000 and 250,000,000 shares authorized at March 31, 2011 and June 30, 2010, respectively		
Common stock to-be-issued	11,586	10,500
Additional paid-in-capital	5,414,671	4,925,190
Preferred Series A stock, par value $.001 per share; 1,000,000 shares authorized	-	-
Deficit accumulated during the development stage	(6,971,334)	(5,813,148)
Total stockholders' deficiency	(1,522,716)	(862,555)
Total liabilities and stockholders' equity deficiency	$979,290	$1,058,074

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

3

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011 AND 2010, AND FOR THE PERIOD FROM JULY 22, 2005 (INCEPTION) THROUGH MARCH 31, 2011
(unaudited)

	Three months ended March 31, 2011	Three months ended March 31, 2010	Nine months ended March 31, 2011	Nine months ended March 31, 2010	July 22, 2005 (inception) through March 31, 2011
REVENUES	$30,088	$23,500	$136,778	$47,199	$374,604
COST OF GOODS SOLD	27,052	18,220	133,965	35,128	327,564
Gross profit	3,036	5,280	2,813	12,071	47,040
EXPENSES					
Selling, general and administrative expenses	227,098	236,050	801,450	723,109	6,488,445
Loss from operations	(224,062)	(230,770)	(798,637)	(711,038)	(6,441,405)
Gain on restructuring of troubled debt	-	(339,137)	-	(339,137)	(339,137)
Interest expense	23,527	6,776	62,396	13,439	132,853
Accretion of accrued royalties and licensing fees	25,953	26,509	95,181	87,577	323,382
Amortization expense	65,033	18,461	201,972	56,808	412,831
Income (loss) before provision for income taxes	(338,575)	56,621	(1,158,186)	(529,725)	(6,971,334)
Provision for income taxes	-	-	-	-	-
Net income (loss)	$(338,575)	$56,621	$(1,158,186)	$(529,725)	$(6,971,334)
Net income (loss) per share basic and diluted	$ nil	$ nil	$ nil	$ nil	$(0.11)
Basic weighted average common shares	196,563,601	119,750,375	172,839,103	108,736,851	63,325,369

Diluted weighted average common shares	196,563,601	144,288,615	172,839,103	108,736,851	63,325,369

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

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE PERIOD FROM JULY 22, 2005 (INCEPTION) THROUGH MARCH 31, 2011
(unaudited)

	Common stock to-be-issued		Common stock issued and outstanding		Preferred series A stock issued and outstanding		Additional paid-in-capital	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance July 22, 2005 (inception)	-	$-	-	$-	-	$-	$ -	$ -	$ -
Common stock to be issued in connection with Incoproation (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

5

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE PERIOD FROM JULY 22, 2005 (INCEPTION) THROUGH MARCH 31, 2011
(unaudited)

	Common stock to-be-issued		Common stock issued and outstanding		Preferred series A stock issued and outstanding		Additional paid-in-capital	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
	Shares	Amount	Shares	Amount	Shares	Amount			
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 as compensation	-	-	-	-	-	-	231,300	-	231,300
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)

6

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE PERIOD FROM JULY 22, 2005 (INCEPTION) THROUGH MARCH 31, 2011
(unaudited)

	Common stock to-be-issued		Common stock issued and outstanding		Preferred series A stock issued and outstanding		Additional paid-in-capital	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
	Shares	Amount	Shares	Amount	Shares	Amount			
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 as 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)

7

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE PERIOD FROM JULY 22, 2005 (INCEPTION) THROUGH MARCH 31, 2011
(unaudited)

	Common stock to-be-issued		Common stock issued and outstanding		Preferred series A stock issued and outstanding		Additional paid-in-capital	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
	Shares	Amount	Shares	Amount	Shares	Amount			
Cancellation of common stock to-be-issued	(1,500,000)	$ (330,000)	-	$ -	-	$ -	$ -	$ -	$ (330,000)
Issuance of shares	(250,000)	(25,000)	20,849,999	2,085	-	-	113,615	-	90,700
Issuance of shares as repayment of amount due to officers	-	-	1,000,000	100	-	-	49,900	-	50,000
Issuance of shares as repayment of amount due to stockholders	-	-	666,111	67	-	-	41,483	-	41,550
Beneficial conversion of loan discount	-	-	-	-	-	-	22,500	-	22,500
Common stock issued for consulting services	-	-	38,436,000	3,843	-	-	697,038	-	700,881
Issuance of options as compensation	-	-	-	-	-	-	1,492	-	1,492
	500,000	2,500	-	-	-	-	-	-	2,500

Common stock to-be-issued									
Net loss	-	-	-	-	-	-	-	(1,423,395)	(1,423,395)
Balance June 30, 2009	500,000	$2,500	92,423,986	$9,242	-	$-	$3,924,174	$(4,890,357)	$(954,441)

8

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE PERIOD FROM JULY 22, 2005 (INCEPTION) THROUGH MARCH 31, 2011
(unaudited)

	Common stock to-be-issued		Common stock issued and outstanding		Preferred series A stock issued and outstanding		Additional paid-in-capital	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
	Shares	Amount	Shares	Amount	Shares	Amount			
Issuance of shares	(500,000)	$(2,500)	24,300,001	$2,430	110	$-	$426,070	$-	$426,000
Issuance of Preferred Stock as repayment of note payable	-	-	-	-	12	-	30,000	-	30,000
Beneficial conversion of loan discount	-	-	-	-	-	-	115,551	-	115,551
Common stock issued for consulting services	-	-	31,058,333	3,106	-	-	406,470	-	409,576
Shares issued in connection with issuance of convertible debt	-	-	1,250,000	125	-	-	21,125	-	21,250
Issuance of options as compensation	-	-	-	-	-	-	1,800	-	1,800
Common stock to-be-issued	2,066,667	10,500	-	-	-	-	-	-	10,500
Net loss	-	-	-	-	-	-	-	(922,791)	(922,791)

Balance June 30, 2010	2,066,667	$ 10,500	149,032,320	$ 14,903	122	$ -	$ 4,925,190	$ (5,813,148)	$ (862,555)

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE PERIOD FROM JULY 22, 2005 (INCEPTION) THROUGH MARCH 31, 2011
(unaudited)

	Common stock to-be-issued		Common stock issued and outstanding		Preferred series A stock issued and outstanding		Additional paid-in-capital	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
	Shares	Amount	Shares	Amount	Shares	Amount			
Issuance of shares (unaudited)	(2,066,667)	$(10,500)	10,993,334	$1,099	-	$-	$43,701	$-	$34,300
Beneficial conversion of loan discount (unaudited)	-	-	-	-	-	-	29,125	-	29,125
Common stock issued for consulting services (unaudited)	-	-	24,924,473	2,493	-	-	211,537	-	214,030
Shares issued in connection with settlement of accounts payable (unaudited)	-	-	1,049,868	105	-	-	11,267	-	11,372
Shares issued in connection with conversion of convertible notes	-	-	12,612,964	1,261	-	-	86,056	-	87,317

payable plus accrued interest (unaudited)									
Shares issued in connection as repayment of loans from stockholders plus accrued interest (unaudited)	-	-	15,399,285	1,540	-	-	102,206	-	103,746
Shares issued in connection with conversion of preferred series A stock (unaudited)	-	-	9,000,000	900	(36)	-	(900)	-	-
Shares issued in addition to issuance of notes payable (unaudited)	-	-	450,000	45	-	-	4,455	-	4,500
Shares issued in addition to issuance of convertible notes payable (unaudited)	-	-	150,000	15	-	-	1,485	-	1,500
Issuance of options in connection with issuance of convertible notes payable (unaudited)	-	-	-	-	-	-	549	-	549

Common stock to-be-issued (unaudited)	2,000,000	11,586	-	-	-	-	-	-	11,586
Net loss (unaudited)	-	-	-	-	-	-	-	(1,158,186)	(1,158,186)
Balance March 31, 2011	2,000,000	$11,586	223,612,244	$22,361	86	$-	$5,414,671	$(6,971,334)	$(1,522,716)

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

WATERPURE INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 2011 AND 2009, AND FOR THE PERIODS FROM JULY 22, 2005 (INCEPTION) THROUGH MARCH 31, 2011
(unaudited)

	Nine months ended March 31, 2011	Nine months ended March 31, 2010	July 22, 2005 (inception) through March 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(1,158,186)	$(529,725)	$(6,971,334)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accretion of accrued royalties and licensing fees	95,181	87,577	323,382
Gaim on restructuring of troubled debt	-	(339,137)	(339,137)
Amortization of intangible asset - license	49,451	49,451	218,029
Common stock issued for consulting services	214,030	268,726	2,816,891
Issuance of stock options - employee	-	1,441	817,529
Amortization of beneficial conversion discount	152,521	7,357	213,552
Changes in operating assets and liabilities			
(Increase)/Decrease in:			
Accounts receivable	(2,450)	(7,725)	(3,450)
Other current asstets		-	
Inventories	6,346	(4,174)	(72,377)
Security deposit	-	(6,000)	(6,000)
Increase/(Decrease) in:			
Accounts payable and accrued expenses	197,462	(84,304)	620,279
Deposits for orders	6,750	135,700	6,750
Accrued royalties and licensing fee payable	(2,500)	(22,500)	(119,000)
Deferred revenue	(3,000)	65,400	183,100
Net cash used in operating activities	(444,395)	(377,913)	(2,311,786)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Trademark	-	-	(325)
Net cash used in investing activities	-	-	(325)
CASH FLOWS FROM FINANCING ACTIVITIES:			
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	34,300	332,500	1,058,313
Proceeds from stock to-be-issued	11,586	-	11,586
Proceeds from issuance of notes payable	149,000	55,000	319,000
Repayment of notes payable	(34,000)	-	(59,000)
Advances/(repayments) from officers	17,572	(14,265)	156,080
Advances from stockholders	26,500	17,672	242,990
Proceeds from issuance of convertible notes payable	214,000	-	479,000
Repayment of convertible notes payable	-	(12,000)	(12,000)
Net cash provided by financing activities	418,958	378,907	2,332,414
NET INCREASE/(DECREASE) IN CASH	(25,437)	994	20,303
CASH, beginning of period	45,740	-	-
CASH, end of period	$20,303	$994	$20,303

Supplemental disclosures of cash flow information for the nine months ended
March 31, 2011:

1)The Company issued 1,049,868 shares of common stock valued at $11,372 as payment of accounts payable.

2)The Company issued 12,612,964 shares of common stock in connection with conversion of $80,000 of convertible notes payable plus $7,317 of accrued interest.

3)The Company recorded debt discounts of $29,125 representing the intrinsic value of the beneficial conversion features of various convertible notes payable issued during the nine months ended March 31, 2011.

4)The Company recorded debt discounts of $6,000 for the 600,000 shares of common stock issued as part of notes and convertible notes payable issued during the nine months ended March 31, 2011.

5)The Company recorded debt discounts of $549 for the 100,000 options issued as part of notes and convertible notes payable issued during the nine months ended March 31, 2011.

6)The Company recorded debt discounts and derivative liability of $50,000 representing the fair value of the beneficial conversion feature of the convertible notes payable issued during the nine months ended March 31, 2011.

7)The Company issued 15,399,285 shares of common stock in connection with conversion of $101,796 of loans to shareholders plus $1,950 of accrued interest.

8)The Company issued 9,000,000 shares of common stock in connection with conversion of 36 shares of preferred series A stock.

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

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

NOTE 1 - NATURE OF OPERATIONS

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 is marketing and manufacturing a licensed atmospheric water generator ("Atmospheric Water Generator" or "AWG") from Everest Water Ltd. ("Everest") which is a device that harvests 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 Atmospheric Water Generators will bear their own exclusive WaterPure branding.

Basis of Presentation

The accompanying unaudited interim 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 as of March 31, 2011 and operating results for the three and nine month interim periods ended March 31, 2011 and 2010 and the cumulative period from July 22, 2005(inception) to March 31, 2011.

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 thereto included in the Company's Form 10-K/A for the year ended June 30, 2010.

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 $6,971,334, has earned minimal revenues and has a working capital deficiency of $2,237,176 as of March 31, 2011. 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

Development Stage Company

The Company is considered a development stage company as it has limited principal operations and minimal revenue. Operations from the Company's inception through March 31, 2011 were devoted primarily to strategic planning, raising capital, manufacturing 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 (UNAUDITED)

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 March 31, 2011 or June 30, 2010.

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 March 31, 2011 and June 30, 2010, the Company had an allowance for doubtful accounts of $6,499 and $0 respectively.

Inventories

The Company states inventories at the lower of cost or market. As of March 31, 2011 and June 30, 2010, inventories consisted of purchased finished goods, raw materials and work in process. 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. As of March 31, 2011 and June 30, 2010 the Company had an inventory reserve of $0.

Long-Lived Assets and Other Intangible Assets

The Company amortizes its intangible assets with finite lives over their respective estimated lives and reviews its long-lived assets and certain intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. If undiscounted expected future cash flows are less than the carrying value of the assets, an impairment loss is recognized based on the fair value of the assets. There were no such impairment losses in the three or nine months ended March 31, 2011 and 2010.

Convertible Debt

The Company accounts for its convertible debt by requiring that any 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.

The Company accounts for its convertible debt issued with stock options by allocating the proceeds based on their relative fair values and recognizing the portion attributable to the stock options in additional paid-in capital.

The Company accounts for its convertible debt issued with its common stock by allocating the proceeds based on their relative fair values and recognizing the portion attributable to the common stock in additional paid-in capital.

Deferred Revenue

The Company has entered into eight separate Master Distributorship Agreements with third-parties whereby the third-parties will market and sell WaterPure branded machines to customers and resellers. These third-parties have entered into purchase commitments for 4,650 units and have remitted deposits totaling $183,100, as of March 31, 2011 which the Company has recorded as deferred revenue. The Company will record the deposits as revenue in $50 increments for each WaterPure atmospheric water machine sold and delivered within twenty-four months of the execution of the agreement. The Company sold 80 of these machines and recognized $4,000 in revenue for the nine months ended March 31, 2011 and sold 14 units and recognized $700 in revenue related to these agreements for the nine months ended March 31, 2010.

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits

The Company recognizes customer deposits for orders as liabilities when amounts are received in advance of formal agreements. These amounts are classified as current or non-current pursuant to the Company's expectation as to the timing of the recognition of revenue.

Derivative Instruments

The Company accounts for its derivative instruments in accordance with Accounting Standards Codification "ASC" 815, Derivatives and Hedging and carries such instruments at fair value. The changes in fair value are recorded in the statements of operations.

Revenue Recognition

The Company recognizes revenue based on four basic criteria: (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. Revenue is generally recognized upon shipment.

Shipping & Handling Costs

Outbound shipping and handling costs are included in cost of goods sold in the accompanying statements of operations. These costs were $3,000 and $295 for the nine months ended March 31, 2011 and 2010, respectively.

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 bases 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 tax bases of assets, liabilities, and other transactions did not result in a provision for current or deferred income taxes for the period from July 22, 2005 (inception) through March 31, 2011.

The Company has a valuation allowance against the full amount of its net deferred tax assets at March 31, 2011 and June 30, 2010. The Company 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.

Concentrations of Credit Risk

Cash - The Company places its cash in highly rated financial institutions, which are continually reviewed by senior management for financial stability. Effective December 31, 2010, extending through December 31, 2012, all "noninterest-bearing transaction accounts" are fully insured, regardless of the balance of the account. The Company has

not experienced any losses in such accounts and believes that its cash is not exposed to significant credit risk.
The Company routinely assesses the financial strengths of its customers and, as a result, believes that their accounts receivable, credit risk exposure is limited.

During the nine months ended March 31, 2011, the Company's largest single customer represented 34% of the Company's sales. If that customer fails to continue to buy product and fulfill its obligation of payment this could potentially have an adverse effect on the Company.

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

ASC 820, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liabilities, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Net Income (Loss) per Common Share

The Company presents basic income (loss) per share and, when applicable, diluted income (loss) per share. Basic income (loss) per share is calculated by dividing net income or loss by the weighted average number of common shares outstanding during each period. Diluted income (loss) per share is computed by increasing the denominator by the weighted average number of additional shares that could have been outstanding from securities convertible into common stock, such as stock options and warrants (using the “treasury stock” method), and convertible preferred stock and debt (using the “if-converted” method), unless their effect on net income (loss) per share is antidilutive. Under the “if-converted” method, convertible instruments are assumed to have been converted as of the beginning of the period or when issued, if later. The effect of computing diluted income (loss) per share is antidilutive and as such, basic and diluted (loss) per share are the same for the three and nine months ended March 31, 2011. The effect of computing the diluted income (loss) per share was dilutive for the three and antidilutive for the nine months ended March 31, 2010. The effect of computing diluted income (loss) per share is antidilutive for the period from July 22, 2005 (inception) through March 31, 2011.

Share Based Compensation

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 the 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 recent accounting pronouncements that are expected to have a material impact on the Company.

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

NOTE 4 - INVENTORIES

Inventories consist of the following and are valued at the lower of cost or market using the weighted average method.

	March 31, 2011	June 30, 2010
Raw materials	$ 37,670	$ 5,784
Work-in-progress	25,597	72,939
Finished goods	9,110	-0-
Total inventories	$ 72,377	$ 78,723

NOTE 5 – INTANGIBLE ASSETS - LICENSE

On December 7, 2007, the Company entered into licensing agreements with Everest for the manufacturing and marketing rights to atmospheric water generators and mineral additive units. The Company agreed to pay $300,000 and issue 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 modified the payment terms of their licensing agreement because the cash payment obligation under the original agreement could not be met by the Company. 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 an annual 8% royalty payment with guaranteed 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 Company accounted for this modification as a troubled debt restructuring. There was no impact on earnings per share.

On March 30, 2010, the Company and Everest modified the payment terms of their licensing agreement, because the cash payment obligation under the original agreement, as amended, could not be met by the Company. Under the amended payment terms, the Company agreed to pay Everest the balance owed Everest of $392,000 over 33 months starting April 1, 2010, plus an annual 5% royalty payment with guaranteed minimum payments as follows: $30,000 in year one, $40,000 in year two, $50,000 in year three, $75,000 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 Company accounted for this modification as a troubled debt restructuring and recognized a gain for the excess of the net carrying amount of the trouble debt over the modified debt. The gain had an impact on earnings per share of $.003. The Company is currently $25,000 in arrears on its licensing fees/payments and is in default on this agreement. As such, this liability of $344,145 has been classified as current at March 31, 2011.

The following table summarizes the various components of the Everest license as of March 31, 2011 and June 30, 2010:

	March 31, 2011	June 30, 2010

Cost of license described above	$1,094,864	$1,094,864
Less: accumulated amortization	218,029	168,578
License, net	$876,835	$926,286

Total license amortization was $49,451 for each of the nine months ended March 31, 2011 and 2010, respectively.

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

NOTE 5 – INTANGIBLE ASSETS – LICENSE (continued)

Contingencies - Royalties

Pursuant to the licensing agreement described above, the Company will pay Everest a 5% royalty payment on the sale of each AWG with a guaranteed minimum payment. The Company has recognized a liability of $615,965, as of March 31, 2011, which represents the present value of the minimum royalty payments using an effective discount rate of 12%. The Company has not paid the minimum royalty payment of $30,000 that was due March 31, 2011. As such, this liability of $615,965 has been classified as current at March 31, 2011.

NOTE 6 – NOTES PAYABLE AND ADVANCES

On July 22, 2010, the Company issued a $15,000 demand note to an accredited investor which accrues interest at 18% per annum and is immediately payable upon demand.

On August 20, 2010, the Company issued 300,000 shares of common stock and a $20,000 note to an accredited investor which accrues interest at 18% per annum and is immediately payable upon demand. The Company recorded a debt discount of $3,000 related to the fair value of the 300,000 shares of Common Stock in accordance with ASC 470-20 Debt with Conversion Options -Recognition. The Company determined the commitment date of the loan to be the date of the agreement.

On September 10, 2010, the Company issued 150,000 shares of common stock and a $22,500 note to an accredited investor which accrues interest at 18% per annum and is immediately payable upon demand. The Company recorded a debt discount of $1,500 related to the fair value of the 150,000 shares of Common Stock in accordance with ASC 470-20 Debt with Conversion Options -Recognition. The Company determined the commitment date of the loan to be the date of the agreement.

On November 5, 2010, the Company received a $17,500 advance from an accredited investor which accrues interest at 18% per annum and is immediately payable.

On November 16, 2010, the Company issued a $22,500 note to an accredited investor which is due on November 22, 2010. The Company has repaid $15,000 of this note as of March 31, 2011. The note is currently in default.

On December 2, 2010, the Company received a $5,000 advance from an accredited investor which is immediately payable.

On March 31, 2011, the Company issued a $25,000 note to an accredited investor which accrues interest at 10% per annum which was due on April 9, 2011. The note currently is in default.

During the three months ended March 31, 2011, the Company received $21,500 in short term debt and these monies were repaid during the quarter.

NOTE 7 – ADVANCES FROM OFFICERS AND STOCKHOLDERS

On May 15, 2009, the Company issued a $15,000 note payable to a stockholder which accrued interest at 8% per annum and was originally due August 15, 2009. The note plus accrued interest of $1,950 was satisfied through the issuance of 3,000,000 shares of the Company's common stock on January 14, 2011.

On January 24, 2011 the Company issued 12,399,285 shares of its common stock as repayment of $86,796 of advances from stockholders

Officers and stockholders of the Company have provided various short-term working capital advances. During the nine months ended March 31, 2011, advances from officers and stockholders totaled $17,572 and $26,500, respectively. During the nine months ended March 31, 2010, short-term working capital repayments to officers and advances from stockholders totaled $14,265 and $17,672, respectively. The Company does not intend to pay interest on the amounts borrowed from officers and stockholders and the advances are intended to be short-term.

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

NOTE 8 – 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. 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 notes are currently in default.

The Company entered into another 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. During the year ended June 30, 2009, 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. On September 15, 2010, the Company issued 5,612,964 shares of its common stock to convert the balance of the note of $45,000 plus accrued interest of $7,317.

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 were due one year from the date of the note. The note holder had the option to convert any unpaid note principal to the Company's common stock at a rate of $0.005 per share. During the year ended June 30, 2009, 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. The Company refinanced its November 18, 2008 convertible debt and accrued interest ($1,200) thereon by entering into a new Securities Purchase Agreement with an accredited investor on November 4, 2009 for the issuance of an aggregate of $11,200 of convertible notes together with 100,000 options to purchase common stock. 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. During the year ended June 30, 2010, the Company recorded a debt discount of $7,906 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 also recorded a debt discount of $1,261 related to the relative fair value of the 100,000 options in accordance with ASC 470-20 Debt with Conversion Options -Recognition. The Company determined the commitment date of the loans to be the date of the agreement. The Company refinanced this convertible debt and accrued interest ($1,344) thereon by entering into a new Securities Purchase Agreement with an accredited investor on November 8, 2010 for the issuance of an aggregate of $12,544 of convertible notes together with 100,000 options to purchase common stock. 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. During the nine months ended March 31, 2011, the Company recorded a debt discount of $4,704 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 also recorded a debt discount of $549 related to the relative fair value of the 100,000 options in accordance with ASC 470-20 Debt with Conversion Options -Recognition. The Company determined the commitment date of the loans to be the date of the agreement.

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

NOTE 8 – CONVERTIBLE DEBT (continued)

The Company entered into a Securities Purchase Agreement with accredited investors on July 15, 2010 for the issuance of an aggregate of $25,000 of convertible notes. The convertible notes accrue interest at 18% per annum and are due upon demand. The note holder has the option to convert any unpaid note principal to the Company's common stock at a rate of $0.01 per share. During the nine months ended March 31, 2011, the Company recorded a debt discount of $5,769 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 29, 2010 for the issuance of an aggregate of $15,000 of convertible notes. The convertible notes accrue interest at 18% per annum and are due upon demand. The note holder has the option to convert any unpaid note principal to the Company's common stock at a rate of $0.01 per share. During the nine months ended March 31, 2011, the Company recorded a debt discount of $6,667 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 loan to be the date of the agreement.

The Company entered into a Securities Purchase Agreement with accredited investors on August 5, 2010 for the issuance of an aggregate of $15,000 of convertible notes. The convertible notes accrue interest at 18% per annum and are due upon demand. The note holder has the option to convert any unpaid note principal to the Company's common stock at a rate of $0.01 per share. During the nine months ended March 31, 2011, the Company recorded a debt discount of $6,667 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 loan to be the date of the agreement.

The Company entered into a Securities Purchase Agreement with accredited investors on August 26, 2010 for the issuance of an aggregate of $15,000 of convertible notes. The convertible notes accrue interest at 18% per annum and are due upon demand. The note holder has the option to convert any unpaid note principal to the Company's common stock at a rate of $0.01 per share. During the nine months ended March 31, 2011, the Company recorded a debt discount of $2,500 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 loan to be the date of the agreement.

The Company issued 150,000 shares of common stock and entered into a Securities Purchase Agreement with accredited investors on September 2, 2010 for the issuance of an aggregate of $25,000 of convertible notes. The convertible notes accrue interest at 18% 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 $0.01 per share. During the nine months ended March 31, 2011, the Company recorded a debt discount of $1,500 related to the fair value of the 150,000 shares of Common Stock in accordance with ASC 470-20 Debt with Conversion Options -Recognition. The Company determined the commitment date of the loan to be the date of the agreement.

The Company entered into a Securities Purchase Agreement with accredited investors on September 24, 2010 for the issuance of an aggregate of $18,000 of convertible notes. The convertible notes accrue interest at 18% per annum and are due upon demand. The note holder has the option to convert any unpaid note principal to the Company's common stock at a rate of $0.01 per share. The Company determined the commitment date of the loan to be the date of the agreement.

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

NOTE 8 – CONVERTIBLE DEBT (continued)

The Company entered into a Securities Purchase Agreement with accredited investors on October 8, 2010 for the issuance of an aggregate of $31,000 of convertible notes. The convertible notes accrue interest at 18% per annum and are due upon demand. The note holder has the option to convert any unpaid note principal to the Company's common stock at a rate of $0.01 per share. During the nine months ended March 31, 2011, the Company recorded a debt discount of $2,818 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 loan to be the date of the agreement.

The Company entered into a Securities Purchase Agreement with accredited investors on November 1, 2010 for the issuance of an aggregate of $20,000 of convertible notes. The convertible notes accrue interest at 8% per annum and are due upon demand. The note holder has the option to convert any unpaid note principal to the Company's common stock at a rate of $0.01 per share. The Company determined the commitment date of the loan to be the date of the agreement.

The Company entered into a Securities Purchase Agreement with accredited investors on November 8, 2010 for the issuance of an aggregate of $25,000 of convertible notes. The convertible notes accrue interest at 8% per annum and are due August 10, 2011. The note holder has the option to convert any unpaid note principal after 180 days to the Company's common stock at a rate of fifty percent of the market price of the lowest three average trading days during the ten day period ending on the last complete trading day prior to the conversion date. During the nine months ended March 31, 2011, the Company recorded a debt discount of $25,000 related to the fair value of the embedded derivative. The Company accounted for its derivative instrument in accordance with ASC 815 Derivatives and Hedging, and recorded at fair value in accordance with ASC 820 Fair Value Measurement. 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 March 3, 2011 for the issuance of an aggregate of $25,000 of convertible notes. The convertible notes accrue interest at 8% per annum and are due December 3, 2011. The note holder has the option to convert any unpaid note principal after 180 days to the Company's common stock at a rate of fifty percent of the market price of the lowest three average trading days during the ten day period ending on the last complete trading day prior to the conversion date. During the nine months ended March 31, 2011, the Company recorded a debt discount of $25,000 related to the fair value of the embedded derivative. The Company accounted for its derivative instrument in accordance with ASC 815 Derivatives and Hedging, and recorded at fair value in accordance with ASC 820 Fair Value Measurement. The Company determined the commitment date of the loans to be the date of the agreement.

On March 29, 2011, the Company issued 7,000,000 shares of its common stock to convert the balance of the Securities Purchase Agreement with accredited investors dated June 17, 2010 in the amount of $35,000.

NOTE 9 - STOCKHOLDERS' EQUITY

Common Stock

On August 16, 2010 the holders of a majority of shares of common stock approved an amendment to the Articles of Incorporation to increase the number of authorized shares of our common stock par value $.0001 per share to 500,000,000 shares.

During the nine months ended March 31, 2011, the Company issued 2,066,667 shares of its common stock previously classified as to-be-issued.

During the nine months ended March 31, 2011, the Company issued, in a private placement, 8,926,667 shares of its common stock, for a total of $34,300. The fair value of the shares was determined based on the closing market price of the shares at the date of the agreement.

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

NOTE 9 - STOCKHOLDERS' EQUITY (continued)

During the nine months ended March 31, 2011, the Company issued 24,924,473 shares of its common stock for consulting services totaling $214,030.

During the nine months ended March 31, 2011, the Company issued 1,049,868 shares of its common stock as repayment of accounts payable of $11,372.

During the nine months ended March 31, 2011, the Company issued 12,612,964 shares of its common stock to convert the balance of a convertible note payable of $80,000 plus accrued interest of $7,317.

During the nine months ended March 31, 2011 the Company issued 15,399,285 shares of its common stock to convert loans to stockholders in the amount of $101,796 plus accrued interest of $1,950.

During the nine months ended March 31, 2011 the Company issued 9,000,000 shares of its common stock as part of a conversion of 36 shares of its Series A Preferred Stock.

During the nine months ended March 31, 2011 the Company issued 450,000 shares of its common stock as part of its issuance of $42,500 of notes payable. The Company recorded a debt discount of $4,500 in accordance with ASC 820 Fair Value Measurement. The Company determined the commitment date of the loans to be the date of the agreement.

During the nine months ended March 31, 2011 the Company issued 150,000 shares of its common stock as part of its issuance of a $25,000 convertible note payable. The Company recorded a debt discount of $1,500 in accordance with ASC 820 Fair Value Measurement. The Company determined the commitment date of the loans to be the date of the agreement.

During the nine months ended March 31, 2011 the Company, in private placements sold, 2,000,000 of its common stock (recorded as stock to-be-issued), for a total of $11,586. The fair value of the shares was determined based upon the closing market price of the shares at the date of each respective agreement.

Preferred Stock

On October 22, 2009, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with Mayim Tahor, LLC ("Mayim") providing for the sale by the Company to Mayim of up to 100 shares of the Company's Series A Convertible Preferred Stock (the "Series A Preferred Stock") at a price of $2,500. On June 18, 2010 this agreement was amended to allow for the purchase of up to 200 shares of the Company's Series A Preferred Stock. Through June 30, 2010, Mayim has purchased 122 shares of Series A Preferred Stock totaling $305,000, consisting of $275,000 in cash and $30,000 of cancellation of a note payable.

Each share of Series A Preferred Stock has a stated value of $2,500 (the "Stated Value") and, is entitled to a cumulative dividend of six percent (6%) of the Stated Value per annum, payable semi-annually. The Company has dividends in the arrears of $17,619. In addition, each share of Series A Preferred Stock is entitled to receive a royalty payment of

$0.16 for each atmospheric water generator sold by the Company. The Company owes $2,792 in royalties pursuant to this agreement as of March 31, 2011.

Mayim may convert, at any time, the shares of Series A Preferred Stock into the number of shares of common stock of the Company obtained by dividing the Stated Value by the Conversion Price then in effect. The conversion price at March 31, 2011, is $0.01, as defined in the Purchase Agreement.

On March 28, 2011, the Company issued 9,000,000 shares of its common stock as part of Mayim's conversion of 36 shares of Series A Preferred Stock.

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

NOTE 10 – STOCK OPTIONS

The following is a summary of the status of stock option activity for the period from inception (July 22, 2005) through March 31, 2011:

	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	100,000	.0150
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding as of June 30, 2009	3,700,000	$0.1577
Granted	10,249,997	.0021
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding as of June 30, 2010	13,949,997	$.0434
Granted	100,000	.005
Exercised	-	-
Forfeited	-	-
Expired	100,000	.005
Outstanding as of March 31, 2011	13,949,997	$.0434

The Company has 13,949,997 options exercisable as of March 31, 2011, with an intrinsic value of $0.

NOTE 11 - RELATED PARTY TRANSACTIONS

LEASE

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

DUE TO OFFICERS AND STOCKHOLDERS

During the nine-months ended March 31, 2011 and 2010, the Company received advances, made repayments, and had amounts due to officers and stockholders as disclosed in Note 7.

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

NOTE 12 - INCOME TAXES

The Company recognizes the impact of tax positions in the financial statements if they are more likely than not to be sustained upon examination by taxing authorities based on the technical merits of the position. 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 bases 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 tax bases of assets, liabilities, and other transactions did not result in a provision for current or deferred income taxes for the period from July 22, 2005 (inception) through March 31, 2011.

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 June 30, 2008 thru June 30, 2010 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 13 – COMMITMENTS

In November 2009, the Company moved its manufacturing operations to Oakland Park, Florida to accommodate administrative, sales and manufacturing personnel. The Company entered into a five year lease with lease payments beginning February 1, 2010.

Year ending June 30, 2011	$8,801
2012	$36,230
2013	$38,689
2014	$41,147
2015	$24,839
Total Lease Commitment	$149,706

NOTE 14 – SUBSEQUENT EVENTS

On April 19, 2011, the Company issued 997,500 shares of its common stock as payment of accrued interest of $4,987.

On April 19, 2011, the Company issued 22,090,000 shares of its common stock as payment of consulting services valued at $66,270.

On May 18, 2011, the Company entered into a Securities Purchase Agreement with accredited investors for the issuance of an aggregate of $22,500 of convertible notes. The convertible notes accrue interest at 8% per annum and are due December 3, 2011. The note holder has the option to convert any unpaid note principal after 180 days to the Company's common stock at a rate of forty percent of the market price of the lowest three average trading days during the ten day period ending on the last complete trading day prior to the conversion date.

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 unknown 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 and manufacturer of Atmospheric Water Generators (“AWG”). Though originally structured as a marketing entity, we have now become a manufacturer of AWGs after licensing patents from Everest Water Ltd. (“Everest”) and developing our own new line of AWGs under those patents. This strategic decision has led to sales fluctuations due to allocation of resources to research and development in some of our previous operating periods.

We are a development stage company until the sale of these new products leads to recognition of significant revenue. We want to be identified as an environmentally sustainable business. Clean drinking water is becoming a scarce commodity as our population increases. Additionally, it is our goal to utilize the intellectual property from Everest to become a leading worldwide manufacturer of AWGs based on the quality of our machines and our choice of distributors and marketing channels. Our future results are highly dependent upon the success of our efforts to manufacture and market our products and having the ability to attain and attract qualified personnel and adequate working capital.

On December 7, 2007, we entered into licensing agreements with Everest whereby we agreed to pay $300,000 and issue 1,500,000 shares of our common stock as consideration. We paid $50,000 with the execution of the agreement and an additional $20,000 through July 31, 2008. On August 1, 2008, we and Everest modified the payment terms of their licensing agreement, because we could not meet the cash payment obligation under the original agreement. Under the amended payment terms, we cancelled the shares to be issued to Everest and agreed to pay Everest $430,000 over 33 months starting September 1, 2008, plus an annual 8% royalty payment with guaranteed 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.

On March 30, 2010, we and Everest modified the payment terms of their licensing agreement, because we could not meet the cash payment obligation under the original agreement, as amended. Under the amended payment terms, we agreed to pay Everest the balance owed Everest of $392,000 over 33 months starting April 1, 2010, plus an annual 5% royalty payment with guaranteed minimum payments as follows: $30,000 in year one, $40,000 in year two, $50,000 in year three, $75,000 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. We are currently $25,000 in arrears on our licensing fee/payments and are in default on this agreement.

Our current production line consists of the WatercycleTM AWG. This machine converts air into fresh drinking water. Our units operate on either 110 or 220 volt power and look similar to a typical water cooler, but do not connect to any water line. This avoids the need for bottled water delivery; heavy lifting of five gallon jugs; and does not use up the world’s limited supply of fresh water. The AWG’s condensation and purification process takes water out of ambient air (humidity) and filters and purifies the water to remove any foreign matter, bacterial, organic and other impurities.

We have been making significant improvements in the production of our Watercycle AWG, with regard to both efficiency in making the unit and the quality of the units being produced. Production quality has improved with the development of a new PC board and the outsourcing of the units casing to local metal fabricators. The outsourcing of the units frame and the new PC board has also allowed us to use a wire harness for installation of the components electronics and has cut production to less than one hour; with our ultimate goal to be able to produce a unit in twenty minutes.

We have received feedback from our distributors concerning the operating noise level of the AWG. This has lead to modifications within the unit. We have redesigned the condenser fan shroud and introduced new ducting and added a second extractor fan. Recent testing has shown that we have reduced the operating noise level by almost half, from 74 decibels to between 38 and 42 decibels.

We have noticed from field tests that as the ambient temperature drops, the water production from the units had dropped significantly. The problem has since been addressed by the installation of a TXV (thermal expansion valve) in the system which monitors and better controls the refrigerant flow in varying temperatures. Recent lab tests showed the unit performing at almost full capacity in ambient temperatures as low as 50 degrees Fahrenheit. While production still falls off in lower temperatures, the unit is still capable of producing water and since it is designed and recommended for indoor use it is not expected to be operating in temperatures much below the 50 degree threshold.

We have been engaged in the development of a new AWG, “the WatercycleTM”, in connection with the patent license from Everest. This new device utilizes ozone to eliminate microorganisms, increases water producing ability, has a more attractive appearance and uses fewer parts than the machines we are currently marketing. In the future, we intend to include an optional feature that will permit the user to add flavors and natural herbal additives, such as green tea. We are also planning to add a CO2 cartridge to make carbonated water or drinks.

We feel that the differentiations in the new AWG could help us capture a larger market segment in the future because of its design, features and worldwide respect for “Made in USA” products, especially after the past product problems with a variety of products manufactured overseas. Additionally, we feel that based on the quality of our machine and the warranty we offer, that we can command a higher price than less efficient or less reliable units of our competitors.

We are in the final stages of completing our new Magnum AWG. The Magnum AWG is a high output unit capable of producing up to 20 gallons of water per day. This unit is designed to be stored either in subbasement storage or outside the home.

In an effort to further increase sales and sales revenue, we hired Lee M. Stein as our senior vice president of sales and marketing. Mr. Stein will be responsible for defining and implementing our sales, marketing, and cutting-edge green initiative strategies worldwide. Mr. Stein, a recipient of many awards and honors in a variety of industries, joins WaterPure with more than 25 years' experience in successful new-product launches. His experience covers direct sales, growth and business strategy, organization development, alliance partnerships, consumer satisfaction, online and social media marketing.

The Company has selected Acqua Pura, LLC to facilitate the acquisition of domestic and international distributors. Acqua Pura will work with Mr. Stein in securing the best distributors to handle our products.

Results of Operations

For the Period from July 22, 2005 (Inception) through March 31, 2011

Revenue and Net Loss

Since we were formed on July 22, 2005, we have earned approximately $375,000 in revenue and have incurred a cumulative net loss since our inception of approximately $6,971,000 through March 31, 2011. Operations from inception through March 31, 2011 were devoted primarily to strategic planning, raising capital, manufacturing and developing revenue-generating opportunities. Revenue for the nine months ended March 31, 2011 was $136,778, an increase of $89,579, or 290% higher than the $47,199 for the comparable period in 2010. We incurred a net loss of approximately $1,158,000 for the nine months ended March 31, 2011, an increase of $628,000 as compared to a net loss of approximately $530,000 for the nine months ended March 31, 2010. The increase in revenue is related to the Company's efforts to increase awareness of our AWG's and its benefits. The increase in loss is attributable to an increase in selling, general and administrative expenses as described below and from a onetime gain on restructuring debt of $339,137 which occurred during the nine months ended March 31, 2010.

Cost of Goods Sold

Cost of goods sold consists of direct costs on contracts, materials, direct labor, third party subcontractor services, and other overhead costs. Our cost of goods sold was approximately $134,000, or 98% of revenues, for the nine months ended March 31, 2011, compared to approximately $35,000, or 74% of revenue, for the comparable prior period in 2010. The higher cost of goods sold as a percentage of sales is due to a combination of distributor agreements that had price guarantees, which could only be changed with a 90 day notice and higher cost of parts due to our lack of ability to buy in quantity, as a results those orders were priced at or below cost. All distributors have been notified of our price changes and we anticipate lower part costs and increased margins.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine months ended March 31, 2011 were approximately $801,000, an increase of $78,000 compared to approximately $723,000 for the comparable period in 2010. The overall increase resulted from increases of $27,000 in professional fees due to higher legal and accounting cost ($102,000 for the nine months ended March 31, 2011 as compared to $75,000 for the nine months ended March 31, 2010), $5,000 in consulting fees as consultants were hired to facilitate our production of AWG's ($274,000 for the nine months ended March 31, 2011 as compared to $269,000 for the nine months ended March 31, 2010), $42,000 in payroll expense as we hired workers to build AWG's ($180,000 for the nine months ended March 31, 2011 as compared to $138,000 for the nine months ended March 31, 2010), $19,500 in marketing and advertising expenses as we prepared for the launch of our manufactured AWG's ($21,000 for the nine months ended March 31, 2011 as compared to $1,500 for the nine months ended March 31, 2010) and other selling, general and administrative expenses decreased $15,500 ($224,000 for the nine months ended March 31, 2011 as compared to $239,500 for the nine months ended March 31, 2010).

Accretion of accrued royalties and licensing fees

There was $95,181 in accretion expense related to the Everest licensing agreement for the nine months ended March 31, 2011, compared to $87,577 for the nine months ended March 31, 2010. The increase is due to the change in net present value of these obligations. For the nine months ended March 31, 2010, we recognized a gain of $339,137 from trouble debt restructuring.

Amortization Expense

There was $201,972 in amortization expense for the nine months ended March 31, 2011, compared to $56,808 for the nine months ended March 31, 2010. The increase is due to discounts, options and stock awards we issued to convertible debt and note payable holders.

Interest Expense

There was $62,396 in interest expense for the nine months ended March 31, 2011, compared to $13,439 for the nine months ended March 31, 2010. The increase is due to us incurring an additional $442,844 in interest bearing debt.

Liquidity and Capital Resources

To date, we have generated approximately $375,000 in revenues and have incurred operating losses in every quarter. We are still a development stage company as we have not generated significant revenues on a consistent basis from operations and have incurred significant losses since inception. These factors among others raise substantial doubt about our ability to continue as a going concern.

As of March 31, 2011, we had a working capital deficiency of $2,237,176. For the nine months ended March 31, 2011, we had net cash outflow from operating activities of $444,395. Cash provided by financing activities totaled $418,958 for the nine months ended March 31, 2011.

We do not have sufficient capital to support operations for the next 12 months. We anticipate we will need approximately $1 million, consisting of approximately $400,000 for manufacturing, $100,000 for sales and marketing and $300,000 for general and administrative expenses and working capital. An additional $200,000 would be utilized for the production and execution of our marketing support program. We are currently seeking joint venture partners and equity or debt financing to fund these expenditures, although we do not have any contracts or commitments for either at this time. We will have to raise additional funds to continue manufacturing our AWGs and, while we have been successful in doing so in the past, there can be no assurance that we will be able to do so in the future. Our continuation as a going concern is dependent upon our ability to obtain necessary additional funds to continue operations and the attainment of profitable operations.

By adjusting our operations to the level of capitalization and through short term loans from officers and others, we believe we will have sufficient capital resources to meet current projected cash flow deficits in the near term. However, if during that period, or thereafter, we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources on terms acceptable to us, this could have a material adverse effect on our business, results of operations, liquidity and financial condition.

We presently do not have any available credit, bank financing or other external sources of liquidity. Due to our brief history and historical operating losses, our operations have not been a source of liquidity. We will need to obtain additional capital in order to expand operations and become profitable. In order to obtain capital, we may need to sell additional shares of our common stock or borrow funds from private lenders. There can be no assurance that we will be successful in obtaining additional funding.

We will still need additional capital in order to continue operations until we are able to achieve positive operating cash flow. Additional capital is being sought, but we cannot guarantee that we will be able to obtain such investments. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, the trading price of our common stock and a downturn in the U.S. stock and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations.

We have financed our losses through the sale of our common stock, issuance of notes payable and convertible notes payable, issuance of common stock for services in lieu of cash, and loans from officers and stockholders. During the nine months ended March 31, 2011, we received the following capital infusions: $34,300 from the sale of 8,926,667 shares of our common stock, $11,586 from the sale of 2,000,000 shares of our common stock classified as to-be-issued, $149,000 from issuance of notes payable, $214,000 from the issuance of convertible notes payable, and loans from officers and shareholders totaling $44,072. In addition, during the nine months ended March 31, 2011, in lieu of cash payments, we issued 24,924,473 shares of common stock valued at $214,030 for services rendered. We do not intend to pay interest on the advances received from officers and stockholders as the advances are intended to be short-term.

Our independent registered public accounting firm has included an emphasis of a matter paragraph regarding the substantial doubt about our ability to continue as a going concern in their Report of Independent Registered Public Accounting Firm (dated October 15, 2010) on our financial statements for the fiscal year ended June 30, 2010. The conditions that led to the doubt continue to exist as of March 31, 2011. 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 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 collectability is probable. Generally the earnings process is complete and the risks and rewards of ownership have transferred to the customer, when the goods are shipped and all our significant obligations have been satisfied.

Accounts Receivable

We must make judgments about the collectability 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 March 31, 2011, we had an allowance for bad debts of $6,499. We actively manage our accounts receivable to minimize our credit risks and believe that our current allowance for doubtful accounts is fairly stated.

Inventory Valuation

We make judgments about the ultimate realizability of our inventory in order to record our inventory at the 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.

Long-lived Assets and Other Intangible Assets

Long-lived assets and certain intangible assets are 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 assets, an impairment loss is recognized based on the fair value of the assets.

Recent Accounting Pronouncements

There are no recent accounting pronouncements that are expected to have a material impact on us.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. We maintain "disclosure controls and procedures," as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as a result of the material weaknesses described below, our disclosure controls and procedures are not designed at a reasonable assurance level and are ineffective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is not accumulated nor communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The material weaknesses, which relate to internal control over financial reporting, that were identified are:

a) We did not have sufficient personnel in our accounting and financial reporting functions. As a result we were not able to achieve adequate separation of duties and were not able to provide for adequate review of the financial statements. This control deficiency, which is pervasive in nature, results in a reasonable possibility that material misstatements of the financial statements will not be prevented or detected on a timely basis;

b) We did not maintain sufficient personnel with an appropriate level of technical accounting knowledge, experience, and training in the application of U.S. GAAP commensurate with out complexity and our financial accounting and reporting requirements. This control deficiency is pervasive in nature. Further, there is a reasonable possibility that material misstatements of the financial statements including disclosures will not be prevented or detected on a timely basis as a result; and

c) We did not document or test our key controls over financial reporting in accordance with Section 404 of the Sarbanes Oxley Act of 2002. As a result, we cannot provide proper documentation of the framework for our internal controls nor the results of testing of such controls. There is a reasonable possibility that material misstatements of the financial statements including disclosures will not be prevented or detected on a timely basis without the ability to determine if our controls are effective.

We are committed to improving our accounting and financial reporting functions. As part of this commitment, we will create a segregation of duties consistent with control objectives and will look to increase our personnel resources and technical accounting expertise within the accounting function by the end of fiscal 2011 to appropriately address non-routine or complex accounting matters. In addition, when funds are available to the Company, we will take the following action to enhance our internal controls: Hiring additional knowledgeable personnel with technical accounting expertise to further support the current accounting personnel at the Company, which management estimates will cost approximately $75,000 per annum. We will engage outside consultants in the future as necessary in order to ensure non-routine or complex accounting matters are appropriately addressed.

Management believes that hiring additional knowledgeable personnel with technical accounting expertise will remedy the following material weaknesses: (A) lack of sufficient personnel in our accounting and financial reporting functions to achieve adequate segregation of duties; and (B) insufficient personnel with an appropriate level of technical accounting knowledge, experience, and training in the application of US GAAP commensurate with our complexity and our financial accounting and reporting requirements.

Management believes that the hiring of additional personnel who have the technical expertise and knowledge with the non-routine or technical issues we have encountered in the past will result in both proper recording of these transactions and a much more knowledgeable finance department as a whole. Due to the fact that our accounting staff consists of a Chief Financial Officer and an accounting clerk, additional personnel will also ensure the proper segregation of duties and provide more checks and balances within the department. Additional personnel will also provide the cross training needed to support us if personnel turnover issues within the department occur. We believe this will greatly decrease any control and procedure issues we may encounter in the future.

We will continue to monitor and evaluate the effectiveness of our disclosure controls and procedures and our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 that materially affected, or is 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 three months ended March 31, 2011, we sold 7,300,000 shares of our common stock to accredited investors for aggregate proceeds of $28,500.

During the three months ended March 31, 2011, in lieu of cash payments, we issued 6,345,000 shares of common stock valued at approximately $58,910 for services rendered.

During the three months ended March 31, 2011, we issued 15,399,285 shares of our common stock to convert loans to stockholders in the amount of $101,796 plus accrued interest of $1,950.

During the three months ended March 31, 2011, we issued 9,000,000 shares of our common stock as part of a conversion of 36 shares of our Series A Preferred Stock.

During the three months ended March 31, 2011, we issued 7,000,000 shares of our common stock to convert the balance of a convertible note payable of $35,000.

During the three months ended March 31, 2011, we issued 625,000 shares of our common stock as repayment of accounts payable of $5,000.

We entered into a Securities Purchase Agreement with accredited investors on March 3, 2011 for the issuance of an aggregate of $25,000 of convertible notes. The convertible notes accrue interest at 8% per annum and are due nine months from the date of the note. The note holder has the option to convert any unpaid note principal into our common stock at a rate of fifty percent multiple by the market price of the lowest three average trading days during the ten day period ending on the last complete trading day prior to the conversion date.

Item 3. Defaults Upon Senior Securities

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

We are currently in default on a $50,000 note, as amended, which was due July 30, 2009.

We are currently in default on a $10,000 note, which was due November 22, 2010.

We are currently $25,000 in arrears on our licensing fee/payments and are in default on this agreement.

We are currently $30,000 in arrears on our royalty payments to the holders of our Series A Preferred Stock.

Item 4. {Removed and Reserved}

Item 5. Other Information.

None.

Item 6. Exhibits

10.01	Securities Purchase Agreement, dated as of March 3, 2011, by and between WaterPure International, Inc. and Asher Enterprises, Inc.
10.02	Form of Convertible Debenture, issued March 3, 2011
10.03	Securities Purchase Agreement, dated as of May 18, 2011, by and between WaterPure International, Inc. and Asher Enterprises, Inc.
10.04	Form of Convertible Debenture, issued May 18, 2011
31.01	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certifications of Chief Executive Officer and 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: May 20, 2011	By: /s/ PAUL S. LIPSCHUTZ Paul S. Lipschutz President (Principal Executive Officer)
Date: May 20, 2011	By: /s/ ROBERT F. ORR Robert F. Orr Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)