

**GLOBAL WATER TECHNOLOGIES, INC.
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

December 31, 2010 and 2009

**GLOBAL WATER TECHNOLOGIES, INC.
AND SUBSIDIARY**

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Independent Accountants' Compilation Report

Board of Directors
Global Water Technologies, Inc.

We have compiled the accompanying consolidated balance sheets of Global Water Technologies, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations and stockholders' equity (deficit) and cash flows for the years then ended. We have not audited or reviewed the accompanying consolidated financial statements and, accordingly, do not express an opinion or provide any assurance about whether the consolidated financial statements are in accordance with accounting principles generally accepted in the United States.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the compilations in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the consolidated financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States. If the omitted disclosures were included in the consolidated financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these consolidated financial statements are not designed for those who are not informed about such matters.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
May 24, 2011

GLOBAL WATER TECHNOLOGIES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2010 and 2009

ASSETS

	2010	2009
CURRENT ASSETS		
Cash	\$ 2,885	\$ 202
Accounts receivable	5,993	7,552
Inventory	25,358	21,156
Assets held for settlement		69,587
Prepaid expenses and other	7,500	3,375
Total Current Assets	<u>41,736</u>	<u>101,872</u>
PROPERTY AND EQUIPMENT, net	12,600	10,600
ACQUIRED PATENTS	<u>24,197</u>	<u>15,650</u>
TOTAL ASSETS	<u>\$ 78,533</u>	<u>\$ 128,122</u>

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES		
Accounts payable	\$ 123,461	\$ 70,906
Current maturities of long-term debt	322,500	335,000
Total Current Liabilities	<u>445,961</u>	<u>405,906</u>
LONG-TERM DEBT, less current portion	<u>39,000</u>	<u>14,000</u>
Total Liabilities	484,961	419,906
STOCKHOLDERS' DEFICIT		
Common stock, \$.0006 par value, 1,000,000,000 shares authorized and issued, 856,161,654 shares (1,000,000,000 shares in 2009) outstanding	600,000	600,000
Additional paid-in capital	872,402	838,879
Accumulated deficit	<u>(1,827,720)</u>	<u>(1,730,663)</u>
	(355,318)	(291,784)
Less: Cost of treasury stock, 143,838,346 shares	<u>(51,110)</u>	
Total Stockholders' Deficit	<u>(406,428)</u>	<u>(291,784)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 78,533</u>	<u>\$ 128,122</u>

See accompanying accountants' compilation report.

GLOBAL WATER TECHNOLOGIES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2010 and 2009

	2010	2009
NET SALES	\$ 83,705	\$ 101,278
COST OF GOODS SOLD	<u>(18,863)</u>	<u>(39,844)</u>
Gross Profit	<u>64,842</u>	<u>61,434</u>
OPERATING EXPENSES		
Consulting	105,444	177,347
Professional fees	40,778	61,643
Compensation		49,954
General and administrative	<u>15,677</u>	<u>160,636</u>
Total Operating Expenses	<u>161,899</u>	<u>449,580</u>
NET LOSS	<u>\$ (97,057)</u>	<u>\$ (388,146)</u>

See accompanying accountants' compilation report.

GLOBAL WATER TECHNOLOGIES, INC. AND SUBSIDIARY

**STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
Years Ended December 31, 2010 and 2009**

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Cost of Treasury Stock	Total Stockholders' Equity (Deficit)
BALANCE AT DECEMBER 31, 2008	\$ 600,000	\$ 838,879	\$(1,342,517)		\$ 96,362
Net loss			<u>(388,146)</u>		<u>(388,146)</u>
BALANCE AT DECEMBER 31, 2009	600,000	838,879	(1,730,663)		(291,784)
Purchase of 195,838,346 shares of treasury stock				(69,587)	(69,587)
Reissuance of 52,000,000 shares of treasury stock		33,523		18,477	52,000
Net loss			<u>(97,057)</u>		<u>(97,057)</u>
BALANCE AT DECEMBER 31, 2010	<u>\$ 600,000</u>	<u>\$ 872,402</u>	<u>\$(1,827,720)</u>	<u>\$ (51,110)</u>	<u>\$ (406,428)</u>

See accompanying accountants' compilation report.

GLOBAL WATER TECHNOLOGIES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

	2010	2009
OPERATING ACTIVITIES		
Net loss	\$ (97,057)	\$ (388,146)
Adjustments to reconcile net loss to net cash used by operating activities:		
Consulting services in exchange for treasury stock	32,000	
(Increase) decrease in certain current assets:		
Accounts receivable	1,559	56,753
Inventory	(4,202)	5,959
Prepaid expenses and other	(4,125)	8,504
Assets held for settlement		(31,880)
Increase in certain current liabilities:		
Accounts payable	<u>52,555</u>	<u>18,997</u>
Net Cash Used by Operating Activities	<u>(19,270)</u>	<u>(329,813)</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(2,000)	(10,600)
Purchases of intangible asset	<u>(8,547)</u>	
Net Cash Used by Investing Activities	<u>(10,547)</u>	<u>(10,600)</u>
FINANCING ACTIVITIES		
Proceeds of long-term debt	<u>32,500</u>	<u>326,500</u>
Net Cash Provided by Financing Activities	<u>32,500</u>	<u>326,500</u>
NET INCREASE (DECREASE) IN CASH	2,683	(13,913)
CASH		
Beginning of Year	<u>202</u>	<u>14,115</u>
End of Year	<u>\$ 2,885</u>	<u>\$ 202</u>
SUPPLEMENTAL DISCLOSURES		
Noncash financing and investing activities:		
Treasury stock issued as payment of long term-term debt	\$ 20,000	
Assets transferred for treasury stock	69,587	
Treasury stock issued as payment for consulting services	32,000	

See accompanying accountants' compilation report.