Freshwater Technologies Inc.
Form 10-Q
November 16, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2009**

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE EXCHANGE ACT

For the transition period from _________ to _________

Commission File No. **333-140595**

FRESHWATER TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Nevada	**98-0508360**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

30 Denver Crescent, Suite 200, Toronto, Ontario, Canada M2J 1G8
(Address of principal executive offices) (zip code)

(416) 490-0254
(Registrant s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

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

Large accelerated filer [ ]	Accelerated filer [ ]

Non-accelerated filer [ ] Smaller reporting company [X]
(Do not check if a smaller reporting company)

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

APPLICABLE ONLY TO CORPORATE ISSUERS

As of November 13, 2009, there were 152,120,000 shares of common stock, par value $0.001, outstanding.

Freshwater Technologies, Inc.
(A Development Stage Company)

September 30, 2009

Freshwater Technologies, Inc.
(A Development Stage Company)
Balance Sheets
(expressed in U.S. dollars)

	(Unaudited) September 30, 2009 $	December 31, 2008 $
ASSETS		
Current Assets		
Cash	464	160
Receivables	4,698	1,716
Inventory	82,694	
Total Current Assets	87,856	1,876
Intangible Assets (Notes 2(k) and 4(d))	297,124	
Total Assets	384,980	1,876
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable	21,054	21,054
Accrued liabilities	56,879	17,537
Due to related parties (Note 3(b))	24,160	167,957
Total Liabilities	102,093	206,548
Going Concern (Note 1)		
Commitments and Contingencies (Notes 3(a) and 6)		
Stockholders Equity (Deficit)		
Class A Common Stock (Notes 4 and 5)		
Authorized: 300,000,000 common shares, with a par value of $0.001		
Issued and outstanding: 152,120,000 shares (2008 112,120,000)	152,120	112,120
Class B Common Stock		
Authorized: 100,000,000 common shares, with a par value of $0.001		
Issued and outstanding: none		
Additional Paid-in Capital (Notes 4 and 5)	1,259,015	686,589
Class A Common Stock Issuable (Note 4(d))	225,000	

Deficit Accumulated During the Development Stage	(1,353,248)	(1,003,381)
Total Stockholders Equity (Deficit)	282,887	(204,672)
Total Liabilities and Stockholders Equity (Deficit)	384,980	1,876

(The accompanying notes are an integral part of these financial statements)

Freshwater Technologies, Inc.
(A Development Stage Company)
Statements of Operations
(expressed in U.S. dollars)
(Unaudited)

	Accumulated from January 21, 2005 (Date of Inception) to September 30, 2009 $	Three Months Ended September 30, 2009 $	Three Months Ended September 30, 2008 $	Nine Months Ended September 30, 2009 $	Nine Months Ended September 30, 2008 $
Revenue	468,984	6,500	200	7,185	1,626
Cost of Sales	214,439		104	166	705
Gross Profit	254,545	6,500	96	7,019	921
Expenses					
Amortization of intangible assets	152,876	56,712		152,876	
Consulting (Note 3(a))	238,000	9,000	9,000	27,000	27,000
General and administrative	128,862	4,173	3,130	15,628	7,220
Imputed interest (Note 3(b))	110,484	5,225	1,475	12,426	17,641
Marketing and sales (Note 3(a))	429,553	49,004	23,251	150,007	50,760
Professional fees (Note 3(c))	178,290	3,500	11,610	35,837	40,005
Bad debts expense (recovery)	368,278	(1,400)	(5,900)	(40,338)	(6,780)
Commission Expense	3,450	3,250		3,450	
Total Expenses	1,609,793	129,464	42,566	356,886	135,846
Net Loss From Operations	(1,355,248)	(122,964)	(42,470)	(349,867)	(134,925)
Other Income					
Gain on settlement of debt	2,000				
Net Loss	(1,353,248)	(122,964)	(42,470)	(349,867)	(134,925)
Net Loss Per Share Basic and Diluted					
Weighted Average Shares Outstanding		136,903,000	102,700,000	126,186,000	102,700,000

(The accompanying notes are an integral part of these financial statements)

Freshwater Technologies, Inc.
(A Development Stage Company)
Statements of Cash Flows
(expressed in U.S. dollars)
(Unaudited)

	Nine Months Ended September 30, 2009 $	Nine Months Ended September 30 2008 $
Operating Activities		
Net loss	(349,867)	(134,925)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of intangible assets	152,876	
Donated costs		12,156
Imputed interest	12,426	17,641
Forgiveness of debt		
Provision for inventory obsolescence		
Changes in operating assets and liabilities:		
Accounts receivable	(2,982)	57
Other receivables		987
Inventory	(82,694)	
Prepaid expenses		
Accounts payable and accrued liabilities	39,342	(1,131)
Due to related parties	54,000	54,000
Net Cash Provided (Used) By Operating Activities	(176,899)	(51,215)
Financing Activities		
Advances from related parties	193,645	60,187
Repayments to related parties	(16,442)	(4,000)
Net Cash Provided (Used) By Financing Activities	177,203	56,187
Increase (Decrease) in Cash	304	4,972
Cash Beginning of Period	160	224
Cash End of Period	464	5,196
Non-cash Investing and Financing Activities:		
Issuance of shares of common stock for intangible assets	450,000	
Issuance of shares of common stock to settle debt	375,000	566,000
Supplemental Disclosures		
Interest paid		
Income tax paid		

(The accompanying notes are an integral part of these financial statements)

Freshwater Technologies Inc.
(A Development Stage Company)
Notes to Financial Statements
(expressed in U.S. dollars)
(Unaudited)

1. Nature of Operations and Going Concern

On January 1, 2006 Freshwater Technologies Inc. (formerly HMI Technologies Inc.) (HMI) entered into an Asset Acquisition Agreement to acquire the business of Freshwater Technologies (Freshwater). HMI was incorporated in the State of Nevada, U.S.A. on December 10, 1999. Its principal business now involves the distribution and marketing of drinking water products and water activation products. HMI is a Development Stage Company, as defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 915, Development Stage Entities . Effective January 1, 2006, the acquisition of the Freshwater business was completed through the issuance of 80,000,000 split-adjusted restricted shares of common stock, and as a result, the former owners of the Freshwater business owned approximately 79% of the outstanding common stock of HMI.

Prior to the acquisition of Freshwater, HMI was a non-operating shell company with nominal net assets. The acquisition is a capital transaction in substance and therefore has been accounted for as a recapitalization, which is outside the scope of ASC 805 *Business Combinations* . Under recapitalization accounting, Freshwater is considered the acquirer for accounting and financial reporting purposes, and acquired the assets and assumed the liabilities of HMI. Assets acquired and liabilities assumed are reported at their historical amounts. These financial statements include the accounts of HMI since the effective date of the recapitalization (January 1, 2006) and the historical accounts of the business of Freshwater since inception (collectively, the Company). Refer to Note 5.

These financial statements have been prepared on a going concern basis, which implies that the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has generated limited revenues to date and has never paid any dividends and is unlikely to pay dividends or generate significant earnings in the immediate or foreseeable future. In order to fund the proposed plan of operation, the Company will require an additional $1,000,000 to $1,400,000 in funding through the next twelve month period. As at September 30, 2009, the Company had an accumulated deficit of $1,353,248 and a working capital deficit of $14,237. The continuation of the Company as a going concern is dependent upon the continued financial support from its directors and officers, the ability to raise equity or debt financing, and the attainment of profitable operations from the business. These factors raise substantial doubt regarding the Company s ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Summary of Significant Accounting Policies

a) Basis of Presentation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States and are expressed in United States dollars. The Company s fiscal year end is December 31.

b) Interim Financial Statements

These interim unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Securities and Exchange Commission (SEC) Form 10-Q. They do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with the Company s audited financial statements and notes thereto for the year ended December 31, 2008, included in the Company s Annual Report on Form 10K filed April 15, 2009 with the SEC.

The financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly the Company s financial position at September 30, 2009, and the results of its operations and cash flows for the nine month periods ended September 30, 2009 and 2008. The results of operations for the period ended September 30, 2009 are not necessarily indicative of the results to be expected for future quarters or the full year.

Freshwater Technologies Inc.
(A Development Stage Company)
Notes to Financial Statements
(expressed in U.S. dollars)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

c) Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to provision for uncollectible sales, provision for inventory obsolescence, valuation of distribution rights, donated expenses and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents.

e) Inventory

Inventory consists of water activation products and water filters and is recorded at the lower of cost and net realizable value on a first-in, first-out basis. The Company establishes inventory reserves for estimated obsolete or unmarketable inventory equal to the differences between the cost of inventory and the estimated realizable value based upon assumptions about future and market conditions. Shipping and handling costs are classified as a component of cost of sales in the statement of operations.

f) Comprehensive Loss

ASC 220, *Comprehensive Income* establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at September 30, 2009, the Company has no items that represent comprehensive loss and, therefore, has not included a schedule of comprehensive loss in the financial statements.

g) Financial Instruments

Pursuant to ASC 820, *Fair Value Measurements and Disclosures* and ASC 825, *Financial Instruments,* an entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value using a hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The hierarchy prioritizes the inputs into three levels that may be used to measure fair value:

Level 1

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

Level 2

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

Level 3

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

Freshwater Technologies Inc.
(A Development Stage Company)
Notes to Financial Statements
(expressed in U.S. dollars)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

g) Financial Instruments (continued)

The Company s financial instruments consist principally of cash, receivables, accounts payable, and amounts due to related parties. The fair value of the Company s cash equivalents, when applicable, is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. The Company estimates that the carrying values of all of its other financial instruments approximate their fair values due to the immediate or relatively short maturities of these instruments.

h) Foreign Currency Translation

The Company s functional and reporting currency is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are translated in accordance with ASC 830, *Foreign Currency Translation Matters,* using the exchange rate prevailing at the balance sheet date. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in Canadian dollars. The Company has not, to the date of these financials statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

i) Revenue Recognition

The Company recognizes revenue from the sale or rental of drinking water products and water activation products in accordance with ASC 605, *Revenue Recognition.* The majority of the revenues consist of water activation units in Costa Rica, Panama and Peru. Revenue consists of the sale/rental of drinking water products and water activation products and is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the product is shipped, and collectibility is reasonably assured. Our shipping terms are FOB shipping point. For UV products, the customer pays all costs from the point of shipment, and for ELCE products, the customer pays all costs from arrival point in the country to which the ELCE products are shipped. The Company evaluates the collectibility of accounts receivable based on a combination of factors. In cases where the Company is aware of circumstances that may impair a specific customer s ability to meet its financial obligations subsequent to the original sale, the Company will record an allowance against amounts due, and thereby reduce the net recognized receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes allowances for doubtful accounts based on the length of time the receivables are past due, the current business environment and the Company s historical experience.

j) Stock-based Compensation

The Company accounts for share-based payments in accordance with ASC 718, *Compensation Stock Based Compensation.* All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The Company has not issued any stock options since its inception.

k) Intangible Assets

Intangible assets represent costs incurred to acquire product distribution rights under the agreement disclosed in Note 6(c). The useful life of the product distribution rights acquired has been estimated by management to be two years. Amortization is provided on a straight-line basis over the estimated useful life. During the nine month period ended September 30, 2009, the Company recorded $152,876 in amortization expense in relation to these assets.

l) Earnings (Loss) per Share

The Company computes earnings (loss) per share in accordance with ASC 260, *Earnings per Share*. SFAS No. 128 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive. As at September 30, 2009, there are no anti-dilutive financial instruments outstanding.

Freshwater Technologies Inc.
(A Development Stage Company)
Notes to Financial Statements
(expressed in U.S. dollars)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

m) Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with ASC 740, *Income Taxes*. The asset and liability method provides that deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

n) Recent Accounting Pronouncements

In May 2009, FASB issued ASC 855-10, *Subsequent Events Overall*, which establishes general standards for the evaluation, recognition and disclosure of events and transactions that occur after the balance sheet date. Although there is new terminology, the standard is based on the same principles as those that currently exist in the auditing standards. The standard, which includes a new required disclosure of the date through which an entity has evaluated subsequent events, is effective for interim or annual periods ending after June 15, 2009. In accordance with ASC 855, *Subsequent Events*, the Company evaluated subsequent events through November 10, 2009, the date of issuance of the financial statements.

In June 2009, the FASB issued guidance now codified as FASB ASC Topic 105, *Generally Accepted Accounting Principles* as the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP, aside from those issued by the SEC. ASC 105 does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all authoritative literature related to a particular topic in one place. The adoption of ASC 105 did not have a material impact on the Company s financial statements, but did eliminate all references to pre-codification standards

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Freshwater Technologies Inc.
(A Development Stage Company)
Notes to Financial Statements
(expressed in U.S. dollars)
(Unaudited)

4. Common Stock

a) On August 15, 2008, the Company entered into a debt settlement and subscription agreement with the President of the Company, whereby the Company agreed to issue 5,700,000 shares of Class A common stock at a fair value of $0.05 per share in consideration of the settlement of $285,000 owing.

b) On August 15, 2008, the Company entered into a debt settlement and subscription agreement with the CFO of the Company, whereby the Company agreed to issue 5,500,000 shares of Class A common stock at a fair value of $0.05 per share in consideration of the settlement of $275,000 owing.

c) On August 15, 2008, the Company entered into a debt settlement and subscription agreement, whereby the Company agreed to issue 120,000 shares of Class A common stock at a fair value of $0.05 per share in consideration of the settlement of $6,000 owing.

d) On January 25, 2009, the Company issued 10,000,000 restricted shares of Class A common stock under the agreement described in Note 6(b). On July 25, 2009, the Company issued 5,000,000 restricted shares of Class A common stock under this agreement. The fair value of the restricted shares issued was estimated to be $225,000 as determined on the measurement date using quoted prices in an active market, less a 75% discount to reflect the effect of the restriction. Under the agreement, the Company is also obligated to issue a further 15,000,000 restricted shares of Class A common stock. The fair value of these restricted shares was estimated to be $225,000 as determined on the measurement date using quoted prices in an active market, less a 75% discount to reflect the effect of the restriction. As at September 30, 2009, the estimated fair value of these shares has been presented as Class A common stock issuable on the balance sheet. The estimated fair value of the 30,000,000 shares issued and to be issued under the agreement of $450,000 has been recorded as intangible assets as at September 30, 2009, less accumulated amortization of $152,876.

e) On August 20, 2009, the Company entered into a debt settlement and subscription agreement, whereby the Company agreed to issue 25,000,000 shares of Class A common stock at a fair value of $0.015 per share in consideration of the settlement of $375,000 owing (see Note 3(f)).

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Advances from related parties	(45,301)
Net liabilities assumed	(45,301)

Freshwater Technologies Inc.
(A Development Stage Company)
Notes to Financial Statements
(expressed in U.S. dollars)
(Unaudited)

6. Commitments

a) On September 23, 2008, the Company entered into a Consulting Agreement with Rolando Choso Esquivel to act as Director, Latin American Sales and Marketing. The Company will pay $1,500 monthly for these consulting services and will reimburse out of pocket expenses incurred for Company business. The agreement was renewed for a one year term expiring August 31, 2010, is renewable annually with both parties approval and can be terminated by the Company with two month s notice and payment.

b) On January 25, 2009, the Company entered into an agreement with ELCE International Corp. (ELCE) under which it obtained the rights to distribute water products purchased from ELCE in certain countries domiciled in South and Central America. As consideration for these rights, the Company agreed to issue to Claudio Sgarbi, the President of ELCE, 10,000,000 restricted shares of common stock upon closing of the agreement (issued on January 25, 2009 see Note 4(d)), 5,000,000 restricted shares issued on July 25,2009 see Note 4(d) and an additional 5,000,000 shares issuable semi-annually for 18 months for a total of 15,000,000 additional shares. Under the agreement, the Company will pay Claudio Sgarbi any out-of-pocket expenses plus consulting fees as follows:

$4,500 per month until May 2009;
$6,000 per month thereafter until August 2009;
$7,500 per month thereafter until November 2009; and
$9,000 per month thereafter until the agreement is terminated.

Under the agreement, the Company has agreed to pay to ELCE 50% of the net profits relating to sales of ELCE water products and to maintain minimum inventories of ELCE water products for each country specified in the agreement in due course. As at September 30, 2009, the purchase cost of minimum inventory quantities was estimated to be $881,000 in total.

c) In February 2009, the Company entered into an Agency Agreement with Ancizar Rendon Ramirez to act as Agent for ELCE sales in the Southern Region of Colombia, South America. The Company will pay $1,000 monthly for these consulting services including related sales expenses and a commission of 10% for all collected ELCE sales initiated by the Agent in the Southern Region of Colombia. The agreement is for a one year term which expires January 31, 2010, is renewable annually and can be terminated by the Company with three month s notice.

d) In July 2009, the Company entered into an Agency Agreement with Luis Alberto Buitrago Gonzalez to act as Agent for FW Activator sales in the Valle de Cauca Region of Colombia, South America. The Company will pay $400 monthly increasing to $600 per month after three months for these consulting services including related sales expenses and a commission of 5% for all collected FW Activator sales initiated by the agent in the Valle de Cauca Region of Colombia. The agreement is for a one year term which expires July 15, 2010, is renewable annually and can be terminated by the Company with three month s notice.

e) In April 2009, the Company entered into an Agency Agreement with German Guerra Guerra to act as Agent for FW Activator sales made by RyC Refrigeracion E.I.R.L. and ASAP Consulting Group S.A.C. in Peru, South America. The Company will pay a commission of 5% for all collected FW Activator sales made by RyC Refrigeracion E.I.R.L. and ASAP Consulting Group S.A.C. in Peru, South America. The agreement is for a one year term which expires in April 2010, is renewable annually and can be terminated by the Company with three month s notice. On July 1, 2009 the Company formalized its Distributors Agreement with RyC Refrigeracion E.I.R.L.

7. Economic Dependence

The Company relies solely upon VIQUA- a Trojan Technologies Company (formerly R-Can Environmental Inc.) (VIQUA), as the sole supplier of their drinking water products, ELCE International Corp. (ELCE), as the sole supplier of their water activation products and Ozocan Corporation as sole supplier of ozone water treatment systems. VIQUA and ELCE supplied the Company with 100% of the products that the Company offered and sold during the nine months ended September 30, 2009 and 2008. VIQUA, Ozocan and ELCE are the sole manufacturers and primary developers of the respective technologies in such products. As a result, the Company could be adversely affected by changes in the cost of the suppliers products, the financial condition of the suppliers or by the deterioration or termination of its relationship with the suppliers.

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

Forward Looking Statements

This quarterly report contains forward-looking statements. Forward-looking statements are projections of events, revenues, income, future economic performance or management s plans and objectives for our future operations. In some cases, you can identify forward-looking statements by terminology such as may , should , expects , plar anticipates , believes , estimates , predicts , potential or continue or the negative of these terms or other co terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled Risk Factors and the risks set out below, any of which may cause our or our industry s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars (US$) and are prepared in accordance with United States Generally Accepted Accounting Principles.

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

As used in this quarterly report, the terms we , us , our , and Freshwater mean Freshwater Technologies, Inc., un otherwise indicated.

Corporate History

We were incorporated in the State of Nevada on December 10, 1999 under the name HMI Technologies Inc. Following incorporation until January 1, 2006, we sought out prospective businesses with which to enter into a merger or business combination. On January 1, 2006, we entered into and closed an asset sale agreement with Max Weissengruber and D. Bria