Bywater Resources, Inc
Form 10QSB
January 16, 2007

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

FORM 10-QSB
(Mark One)

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

For the quarterly period ended November 30, 2006.
or

o **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 333-130858

BYWATER RESOURCES INC.
(Exact name of registrant as specified in its charter)

Delaware	
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
300 Park Avenue, Suite 1700, New York, NY	**10022**
(Address of principal executive offices)	(Zip Code)

(212) 572-6395
(Registrant's telephone number, including area code)

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

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of January 12, 2007:

16,000,000 shares of common stock.

BYWATER RESOURCES INC.
FINANCIAL STATEMENTS

INDEX

Item 1. Financial Information

BASIS OF PRESENTATION

The accompanying reviewed financial statements are presented in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB and item 310 under subpart A of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal occurring accruals) considered necessary in order to make the financial statements not misleading, have been included. Operating results for the six months ended November 30, 2006 are not necessarily indicative of results that may be expected for the year ending May 31, 2007. The financial statements are presented on the accrual basis.

BYWATER RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
FINANCIAL STATEMENTS
AS OF NOVEMBER 30, 2006
(UNAUDITED)

BYWATER RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)

CONTENTS

BYWATER RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED BALANCE SHEET
AS OF NOVEMBER 30, 2006
(UNAUDITED)

ASSETS		
CURRENT ASSETS		
Cash	$	27,433
TOTAL ASSETS	$	27,433
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accrued expenses	$	3,075
TOTAL LIABILITIES		3,075
STOCKHOLDERS' EQUITY		
Preferred stock, $0.0001 par value, 50,000,000 shares authorized, none issued and outstanding		-
Common stock, $0.0001 par value, 100,000,000 shares authorized, 16,000,000 shares issued and outstanding		1,600
Additional paid in capital		79,600
Accumulated deficit during exploration stage		(56,842)
Total Stockholders' Equity		24,358
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	27,433

See accompanying notes to condensed financial statements.

BYWATER RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended November 30, 2006	For the Six Months Ended November 30, 2006	For the Period From January 11, 2006 (Inception) to November 30, 2006
REVENUE	$ -	$ -	$ -
OPERATING EXPENSES			
General and administrative	2,903	10,636	16,842
Exploration costs	-	-	40,000
Total Operating Expenses	2,903	10,636	56,842
LOSS FROM OPERATIONS	(2,903)	(10,636)	(56,842)
Provision for Income Taxes	-	-	-
NET LOSS	$ (2,903)	$ (10,636)	$ (56,842)
Net loss per share - basic and diluted	$ -	$ -	$ (0.004)
Weighted average number of shares outstanding during the period - basic and diluted	16,000,000	16,000,000	15,465,944

See accompanying notes to condensed financial statements.

F-2

BYWATER RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE PERIOD FROM JANUARY 11, 2006 (INCEPTION) TO NOVEMBER 30, 2006
(UNAUDITED)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit During Exploration Stage	Total
	Shares	Amount	Shares	Amount			
Common stock issued as compensation upon Company inception on January 11, 2006 ($0.0001 per share)	-	$ -	12,000,000	$ 1,200	$ -	$ -	$ 1,200
Common stock issued for cash on February 16, 2006 on private placement ($0.02 per share)	-	-	2,100,000	210	41,790	-	42,000
Common stock issued for cash on March 3, 2006 on private placement ($0.02 per share)	-	-	1,900,000	190	37,810	-	38,000
Net loss	-	-	-	-	-	(46,206)	(46,206)
Balance, May 31, 2006	-	-	16,000,000	1,600	79,600	(46,206)	34,994
Net loss	-	-	-	-	-	(10,636)	(10,636)
BALANCE, NOVEMBER 30, 2006	-	$ -	16,000,000	$ 1,600	$ 79,600	$ (56,842)	$ 24,358

See accompanying notes to condensed financial statements.

BYWATER RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Six Months Ended November 30, 2006	For the Period From January 11, 2006 (Inception) to November 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (10,636)	$ (56,842)
Adjustments to reconcile net loss to net cash used in operating activities:		
Compensation in the form of stock	-	1,200
Changes in operating assets and liabilities:		
Increase (decrease) in accrued expenses	(1,875)	3,075
Net Cash Used In Operating Activities	(12,511)	(52,567)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	-	80,000
Net Cash Provided By Financing Activities	-	80,000
NET INCREASE (DECREASE) IN CASH	(12,511)	27,433
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	39,944	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 27,433	$ 27,433

See accompanying notes to condensed financial statements.

BYWATER RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF NOVEMBER 30, 2006
(UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

(A) Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information necessary for a comprehensive presentation of financial position and results if operations.

It is management's opinion however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statements presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

(B) Organization

Bywater Resources Inc. (an exploration stage company) (the "Company") was incorporated on January 11, 2006 in the State of Delaware. The Company is an exploration stage mining company. On February 6, 2006, the Company became actively engaged in acquiring mineral properties, raising capital, and preparing properties for production. The Company did not have any significant mining operations or activities from inception, and accordingly is deemed to be an exploration stage company.

The fiscal year-end of the Company is May 31.

(C) Revenue and Cost Recognition

The Company uses the accrual basis of accounting for financial statement reporting. Revenues and expenses are recognized in accordance with Generally Accepted Accounting Principles for the industry. Certain period expenses are recorded when obligations are incurred.

(D) Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

BYWATER RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF NOVEMBER 30, 2006
(UNAUDITED)

(E) Non-Mining Property and Equipment

Property and equipment purchased by the Company are recorded at cost. Depreciation is computed by the straight-line method based upon the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred as are any items purchased which are below the Company's capitalization threshold of $1,000.

For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from accounts, and any related gain or loss is reflected in income for the period.

(F) Income Taxes

The Company accounts for income taxes using the liability method, which requires recognition of 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 assets and liabilities are determined based on the difference between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company's management determines if a valuation allowance is necessary to reduce any tax benefits when the available benefits are more likely than not to expire before they can be used.

(G) Stock Based Compensation

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," (SFAS 123), which is effective for periods beginning after December 15, 1995. SFAS 123 was revised by SFAS 123 (R) which the Company has adopted to account for stock based compensation.

(H) Cash and Cash Equivalents and Credit Risk

For purposes of reporting cash flows, the Company considers all cash accounts with maturities of 90 days or less and which are not subject to withdrawal restrictions or penalties, as cash and cash equivalents in the accompanying balance sheet.

The portion of deposits in a financial institution that insures its deposits with the FDIC up to $100,000 per depositor in excess of such insured amounts are not subject to insurance and represent a credit risk to the Company.

BYWATER RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF NOVEMBER 30, 2006
(UNAUDITED)

(I) Foreign Currency Translation and Transactions

The Company's functional currency is the US dollar. No material translations or transactions have occurred. Upon the occurrence of such material transactions or the need for translation adjustments, the Company will adopt Financial Accounting Standard No. 52 and other methods in conformity with Generally Accepted Accounting Principles.

(J) Earnings Per Share

Basic and diluted net loss per common share is computed based upon the weighted average common shares outstanding as defined by Financial Accounting Standards No. 128, "Earnings Per Share." As of November 30, 2006, there were no dilutive securities outstanding.

NOTE 2 GOING CONCERN

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. As discussed in the notes to the financial statements, the Company has experienced losses from inception. The Company's financial position and operating results raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company lacks an operating history and has losses which we expect to continue into the future.

The Company was incorporated in January 2006 and has not started the proposed business operations or realized any revenues. The Company has no operating history upon which an evaluation of our future success or failure can be made. The ability to achieve and maintain profitability and positive cash flow is dependent upon the Company's ability to locate a profitable mineral property, generate revenues and raise the capital necessary to continue exploration of the property.

Based upon current plans, the Company expects to incur operating losses in future periods. This will happen because there are expenses associated with the research and exploration of mineral properties. The Company cannot guarantee that it will be successful in generating revenues in the future. Failure to generate revenues may cause the Company to go out of business.

The Company intends to generate additional capital from the public markets to increase its ability to locate profitable mineral property and generate revenues. The Company may also consider public or private debt transactions and/or private placement, but has no such actions in place at this time.

BYWATER RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF NOVEMBER 30, 2006
(UNAUDITED)

NOTE 3 **AFFILIATES AND RELATED PARTIES**

Significant relationships with (1) companies affiliated through common ownership and/or management, and (2) other related parties are as follows:

The Company has compensated officers of the Company with compensation in the form of stock as described in the equity footnote.

NOTE 4 **STOCKHOLDERS' EQUITY**

(A) Preferred Stock

The Company has authorized fifty million (50,000,000) shares of preferred stock with a par value of $.0001, none of which have been issued.

(B) Common Stock

The Company has authorized one hundred million (100,000,000) shares of common stock with a par value of $.0001. The Company has 16,000,000 shares of common stock issued and outstanding.

On January 11, 2006 the Company issued 12,000,000 shares of common stock to the Company President, Rolf Harms, as compensation for the formation of the corporation and services rendered for a value of $1,200 or $0.0001 per share.

On February 16, 2006 the Company issued 2,100,000 shares of common stock at a price of $.02 per share in an offering exempt from registration at Section 4(2) of the Securities Act of 1933 for a total value of $42,000.

On March 3, 2006 the Company issued 1,900,000 shares of common stock at a price of $.02 per share in an offering exempt from registration at Section 4(2) of the Securities Act of 1933 for a total value of $38,000.

BYWATER RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF NOVEMBER 30, 2006
(UNAUDITED)

NOTE 5 COMMITMENTS AND CONTINGENCIES

The Company entered into an agreement on February 6, 2006 with Ms. Gillian Wells ("Wells") to purchase a 100% interest in the CARTER 1 claim located approximately 8 kilometers west of the Town of Port Alice, British Columbia for a total of $40,000. In addition, the Company gave Wells a 2½% Net Smelter Royalty and received an option to repurchase 1½% of the Net Smelter Royalty for $1.0 million within 12 months from commencement of commercial production. Advance minimum annual royalties of $25,000 are payable commencing 48 months from February 28, 2006. If the Company defaults on the royalty payments, the agreement calls for the Company to return its 100% interest in the claim to Wells and forfeits all future claims and royalty rights to the claim.

Management is not aware of any contingent matters that could have a material adverse effect on the Company's financial condition, results of operations, or liquidity.

NOTE 6 LITIGATION, CLAIMS AND ASSESSMENTS

From time to time in the normal course of business the Company may be involved in litigation. The Company's management has determined any asserted or unasserted claims to be immaterial to the financial statements.

Item 2. Management's Discussion and Analysis or Plan of Operation

GENERAL

Organization

We were organized as a Delaware Corporation on January 11, 2006 for the purpose of locating and developing copper-gold exploration properties in British Columbia.

Overview

Pursuant to our business plan we searched for available copper-gold mineral exploration properties in Vancouver Island British Columbia. In February 2006, we entered into an option agreement with Gillian Wells to acquire a 100% interest in the CARTER 1 claim. Our mineral claim is located 8 kilometres west of Port Alice, British Columbia on Vancouver Island. The property has been acquired from Wells by paying her a purchase payment of $40,000.

Upon commercial production, the property will be subject to a 2½% Net Smelter Return ("NSR") of which 1 1/2% can be purchased for $1,000,000. However, if we are unable to delineate commercial quantities of copper-gold on the CARTER 1 claim we may have to cease operations on the CARTER 1 claim. We would seek out other properties with mineral potential to carry out exploration programs to replace the CARTER 1 claim.

Our ability to execute our growth strategy depends in part on our ability to identify and acquire desirable acquisition candidates consisting of suitable exploration properties. Initially we will seek exploration properties held by individuals or small private corporations. We need to diversify our property holdings to improve the likelihood that we secure a property that can be developed into a mine. There can be no assurance that we will finalize and close any transactions or be able to identify suitable acquisition candidates or, to negotiate their acquisition at prices or on terms and conditions favorable to us.

Property Payments

Pursuant to our agreement, we are required to pay Ms. Wells a single payment and then annual Advance Royalties of $25,000 commencing February 6, 2010 to keep our agreement in good standing. We paid $40,000 in February 2006 and we are in good standing until the commencement of the advance royalties on or before February 6, 2010.

Exploration stage expenses from inception through November 30, 2006 were $40,000 for general exploration costs related to the mineral rights of the exploration property and $16,842 of general and administrative costs for a total expense of $56,842 as captioned in the financial statement's statement of operations. Fees were incurred in the start-up costs of our company as well as the fees to prepare our audited financial statements and this registration statement. These fees were included in the general and administrative expense as discussed in this paragraph.

Our plan of operations for the next twelve months is to continue exploration activities on the property. We are planning to spend $8,000 on further exploration on the property. If we are successful in raising sufficient capital we hope to carry out most or all of the work described under Further Exploration in the CARTER 1 claim section of this prospectus in the next twelve months. We are current in all of our obligations.

The following is a 12 month budget:

Exploration and site work (samples)		8,000
General and administrative		17,400
Total	$	25,400

At present, we have sufficient cash on hand to complete the filing of this prospectus and meeting our exploration, general and administration expenses and we must raise more capital by the summer of 2007 to carry out further exploration programs to maintain our interest in the CARTER 1 claim. If we are unable to raise sufficient capital to meet our obligations we could lose our interest in the properties or a portion thereof. We intend to pursue financing activities in the spring of 2007.

We plan to raise a minimum of $45,000 to continue minimum exploration of our properties during the next 12 months through a private placement of debt, convertible securities, or common equity. If we are successful in raising the necessary capital, we may have to significantly dilute the current shareholders. We plan to initially offer the debt or equity to our current shareholders and management. If we are not successful in raising the required capital, we will offer our debt or equity to new investors. At present, we have no specific plans regarding a debt or equity offering, but intend to actively commence raising the required capital during the spring of 2007. As an alternative to raising capital through the selling of debt or equity, we will attempt to negotiate a joint venture with an industry partner. If the company is required to enter into a joint venture, we could end up with a minority interest in our properties. We have not contacted another party in the industry regarding a joint venture. There is no assurance we will raise the necessary capital, therefore there is a significant risk that the company may have to abandon or reduce the size of our property.

Liquidity and Capital Resources

At present, we have sufficient cash on hand to complete the filing of this prospectus and meeting our exploration, general and administration expenses for the next twelve months. However, we must raise more capital by the summer of 2007 to carry out further exploration programs to maintain our interest in the CARTER 1 claim. If we are unable to raise sufficient capital to meet our obligations we could lose our interest in the properties or a portion thereof. We intend to pursue financing activities in the spring of 2007.

The accompanying financial statements have been prepared assuming that we will continue as a going concern. As discussed in the notes to the financial statements, we have experienced losses from inception. Our financial position and operating results raise substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We lack an operating history and has losses which we expect to continue into the future.

Based upon current plans, we expect to incur operating losses in future periods. This will happen because there are expenses associated with the research and exploration of mineral properties. We cannot guarantee that we will be successful in generating revenues in the future. Failure to generate revenues may cause usto go out of business.

We intend to generate additional capital from the public markets to increase our ability to locate profitable mineral property and generate revenues. We may also consider public or private debt transactions and/or private placement, but has no such actions in place at this time.

Critical Accounting Policies

Bywater's financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use if estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

Our significant accounting policies are summarized in Note 1 of our financial statements. While all these significant accounting policies impact its financial condition and results of operations, Bywater views certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on Bywater's financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates. Our management believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause effect on our results of operations, financial position or liquidity for the periods presented in this report.

Item 3. Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of November 30, 2006. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that our disclosure and controls are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There were no changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls over financial reporting that occurred during the second quarter of fiscal 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is currently not a party to any pending legal proceedings and no such action by, or to the best of its knowledge, against the Company has been threatened.

Item 2. Changes in Securities.

None

Item 3. Defaults Upon Senior Securities.

None

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

No matter was submitted during the quarter ending November 30, 2006, covered by this report to a vote of the Company's shareholders, through the solicitation of proxies or otherwise.

Item 5. Other Information.

None

Item 6. Exhibits and Reports of Form 8-K.

(a) Exhibits

31.1 Certification pursuant to Section 302 of Sarbanes Oxley Act of 2002
32.1 Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002

(b) Reports of Form 8-K

None

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

BYWATER RESOURCES INC.
Registrant

Date: January 12, 2007 By: *<u>/s/ Rolf Harms</u>*
Rolf Harms
President, Chief Executive Officer,
Chairman of Board of Directors