

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington D.C. 20549
FORM 10-QSB

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For Quarter Ended: September 30, 2004

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from: _____ to _____

Commission File Number: 000-27825

Hydro Environmental Resources, Inc.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction
of incorporation or organization)

73-1552304
(I.R.S. Employer
Identification No.)

2903 NE 109th Avenue, Suite D, Vancouver, WA

98682-7273

(Address of principal executive offices)

(Zip code)

(360) 883-5949

(Registrant's telephone number, including area code)

Not applicable

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or 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 No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No Not Applicable

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common 162,545 post reverse split January 24, 2005 Class Number of shares outstanding at March 31, 2005

Transitional Small Business Disclosure Format (check one):

Yes No

This document is comprised of 11 pages.

FORM 10-QSB HYDRO ENVIRONMENTAL RESOURCES, INC.

3rd QUARTER 2004

INDEX

Page

PART I - FINANCIAL INFORMATION

**Item 1. Financial Statements - prepared by
management**

Condensed balance sheets at September 30, 2004 (unaudited) and December 31, 2003 3

Condensed statements of operations for the three and nine months ended September 30, 2004 and 2003 and for the period from November 10, 1998 (date of inception) to September 30, 2004 (unaudited) 4

Condensed statements of cash flows for the nine months ended September 30, 2004 and 2003 and for the period from November 10, 1998 (date of inception) to September 30, 2004 (unaudited) 5

Notes to condensed financial statements (unaudited) 6

Item 2. Management's Discussion and Analysis or Plan of operation 9

Item 3. Controls and Procedures

PART II - OTHER INFORMATION

Item 1. Legal proceedings 10

Item 2. Changes in securities 10

Item 3. Defaults upon senior securities 10

Item 4. Submission of matters to a vote of security holders 10

Item 5. Other information 10

Item 6. Exhibits and reports on Form 8-K 11

Signatures 11

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements
Hydro Environmental Resources, Inc.
Condensed Balance Sheets

	September 30	
	2004	
	Unaudited	
December 31		
2003		
ASSETS		
Current		
cash	\$ 1,057	\$
5,850	-----	---
--		
Total Current Assets	1,057	
5,850		
Intangible assets	-	
1,500		
Property and Equipment	19,402	
22,402	-----	---
--		
Total Assets	\$ 20,459	\$

29,752		-----	----
--			

LIABILITIES

Current

Accounts payable and accrued liabilities	\$	169,227	\$
157,911			
Due to management - note 2		12,100	
-			
Due to former officers - note 2		327,499	
313,399			
Notes payable, convertible to common stock		25,000	
25,000			
.Accrued interest		7,250	
5,750			
		-----	----
--			
Total Current Liabilities		541,076	
502,060			
		-----	----
--			

STOCKHOLDERS' EQUITY

Authorized

500,000,000 shares of common stock with a par value of \$0.001 each
5,000,000 shares of preferred stock with a par value of \$0.001 each

Issued and outstanding

62,390,924 shares of common stock	62,391
58,613	
(58,612,581 December 31, 2003)	

Additional Paid in Capital	2,953,011
2,844,339	

Deficit accumulated during the development stage	(3,536,019)
(3,375,260)	

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Total Stockholders' Equity (Deficit)	(520,617)
(472,308)	

--		-----	-----
Total Liabilities and Stockholders' Equity	\$	20,459	\$
29,752		-----	-----

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Prepared by management

Hydro Environmental Resources, Inc.
 Statements of Operations
 Three and Nine Months Ended September 30
 Unaudited

Months	Three Months		Nine
	Ended September 30		Ended
September 30	2004	2003	
2004			
Operating Expenses			
Salaries and compensation - note 5	\$ -	\$ 113,270	\$
96,450			
Consulting	-	-	
1,200			
Professional fees	2,857	2,752	
12,911			
Office and administration	535	14,091	
2,722			
Rent	-	-	
11,310			
Research and development	3,057	-	
8,295			
Marketing	6,174	-	
6,174			
Amortization	1,500	-	
4,500			
Transfer agent	25	-	
1,597			
	-----	-----	

Total operating expenses	14,148	130,113	
145,159	-----	-----	--

Net (loss) for the period	(14,148)	(130,113)	
(145,159)			
Non-operating income (expense):			
Gain on debt settlements	-	-	
-			
Other	-	-	
-			
Interest expense, related parties	(5,200)	(2,915)	
(15,600)			
Amortization of debt issue costs	-	-	
-			
Other	-	(500)	
-			
---		-----	
Loss before income taxes	(19,348)	(133,528)	
(160,759)			
Income tax provision	-	-	
-			
Net loss	\$ (19,348)	\$ (133,528)	
\$(160,759)	-----	-----	---

Net income (loss) per share	\$ (0.00)	\$ (0.00)	\$
(0.00)			
Weighted average number of shares			
outstanding	62,390,924	12,172,468	
61,200,029			

Nine Months
Ended Spetmeber 30
2003

November 10, 1998
(inception) to
September 30,

Operating Expenses		
Salaries and compensation - note 5	\$ 261,816	\$ 375,033
Consulting	6,000	1,771,811
Professional fees	14,992	771,484
Office and administration	81,433	378,344
Rent	-	11,310
Research and development	2,470	203,099
Marketing	-	6,174
Amortization	-	240,886
Transfer agent	-	1,597

Total operating expenses	366,711	3,759,738

Net (loss) for the period	(366,711)	(3,759,738)
Non-operating income (expense):		
Gain on debt settlements	-	325,144
Other	-	1,300
Interest expense, related parties	(8,745)	(59,662)
Amortization of debt issue costs	-	(26,250)
Other	(1,500)	(16,813)
Loss before income taxes	(376,956)	(3,536,019)
Income tax provision	-	-
Net loss	\$ (3,536,019)	
	-----	-----
Net income (loss) per share	\$ (0.00)	
Weighted average number of shares outstanding	51,483,079	

Prepared by management

Accumulated			Additional	Deficit
Stage	Common Shares		Paid in Capital	During the Development
		Par Value		
Balance				
December 31, 2003	58,612,581	\$	58,613	\$ 2,844,339
\$(3,375,260)				
Common shares issued				
For services				
January 31, 2004	2,200,010		2,200	93,405
-				
June 7, 2004	845,000		845	7,605
-				
For cash - June 7, 2004	400,000		400	5,600
-				
For cash - June 7, 2004	333,333		333	9,667
-				
Net loss for				
nine months	-		-	-
(160,759)				

Balance				
September 30, 2004	62,390,924	\$	62,391	\$ 2,953,011
\$(3,536,019)				

Prepared by management

Hydro Environmental Resources, Inc.

Condensed Statement of Cash Flows

Nine Months Ended September 30, 2004 and 2003 and for the period from November 10, 1998 (date of inception) to September 30, 2004

Unaudited

Nine Months Ended
September 30

	2004	2003
Operating Activities		
Net (loss)	\$ (160,759)	\$ (376,956)
Adjustments to reconcile net (loss) to net cash used by operating activities:		
Amortization	4,500	-
Gain on settlement of debt	-	-
Issuance of common stock for services	96,450	-
Changes in operating assets and liabilities	39,016	163,068
	-----	-----
Net cash (used by) operating activities	(20,793)	(213,888)
	-----	-----
Investing Activity		
Acquisition of property and equipment	-	(17,443)
	-----	-----
Financing Activities		
Issuance of common stock for cash	16,000	214,500
	-----	-----
Inflow (outflow) of cash	(4,793)	(16,831)
Cash, beginning of period	5,850	34,820
	-----	-----
Cash, end of period	\$ 1,057	\$ 17,989
	-----	-----
Supplemental information		
Interest paid	\$ -	\$ -
Shares issued for patent rights	-	-
.Corporate income taxes paid	\$ -	\$ -

November 10, 1998
(inception) to
September 30, 2004

perating Activities	
Net (loss)	\$(3,536,019)
Adjustments to reconcile net (loss) to net cash used by operating activities:	
Amortization	240,886
Gain on settlement of debt	(325,144)

Issuance of common stock for services	2,385,447
Changes in operating assets and liabilities	866,220

Net cash (used by) operating activities	(368,610)

Investing Activity	
Acquisition of property and equipment	(260,288)

Financing Activities	
Issuance of common stock for cash	629,955

Inflow (outflow) of cash	1,057
Cash, beginning of period	-

Cash, end of period	\$ 1,057

Supplemental information	
Interest paid	\$ -
Shares issued for patent rights	15,000
.Corporate income taxes paid	\$ -

Prepared by management

HYDRO ENVIRONMENTAL RESOURCES, INC.

(A Development Stage Company)

Notes to Condensed Financial Statements

(Unaudited)

Note 1: Basis of presentation

The interim financial statements presented herein for the nine months ended September 30, 2004 have been prepared by the Company in accordance with the accounting policies in its annual 10-KSB report dated December 31, 2003 and should be read in conjunction with the notes thereto. Interim financial data presented herein are unaudited.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of operating results for the interim period presented have been made. The results of

operations for the three and nine months ended September 30, 2004 are not necessarily indicative of the results to be expected for the year.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is in the development stage in accordance with Statement of Financial Accounting Standard ("SFAS") No.

7. As shown in the accompanying financial statements prepared by management without audit, the Company has no revenues, a limited history of operations, and significant losses since inception. These factors, among others, may indicate that the Company will be unable to continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis and ultimately to attain profitability. The Company's management intends to seek additional funding through future equity offerings and debt financings to help fund the Company's operation.

Inherent in the Company's business are various risks and uncertainties, including its limited operating history and historical operating losses. The Company's future success will be dependent upon its ability to create and provide effective and competitive services on a timely and cost-effective basis.

Note 2: Related party transactions

Officers and former officers loaned the Company \$269,337 for working capital. The loans bear interest at six percent and are due on demand. As of September 30, 2004, accrued interest payable on the advances totaled \$58,162. The \$327,499 balance of outstanding advances and accrued interest is included in the accompanying financial statements as due to former officers.

Officers of the Company have loaned the Company \$12,100 for working capital. The loans do not bear interest, are unsecured and are repayable on demand.

Note 3: Intangible assets

Intangible assets consist of patent rights acquired from a related party. The rights are being amortized at the rate of \$250 per month for 60 months:

Patent rights \$ 15,000

Accumulated amortization (15,000)

Note 4: Notes payable

During the year ended December 31, 2001, the Company received \$25,000 in exchange for convertible promissory notes and 125,000 shares of the Company's \$.001 par value common stock. Interest expense of \$1,000 was recognized in the accompanying condensed financial statements for the nine months ended September 30, 2004. Accrued interest payable on the notes totaled \$7,250 as of September 30, 2004.

Note 5: Common stock

During the nine months ended September 30, 2004, the Company issued 3,045,010 common shares for services provided to the Company and fairly valued by the Board of Directors at \$96,450 based on the value of services provided.

During this same period the Company issued a further 733,333 common shares for cash of \$16,000.

Note 6: Income taxes

The Company records its income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". The Company incurred net operating losses during all periods presented, resulting in a deferred tax asset, which was fully allowed for; therefore, the net benefit and expense result in \$-0- income taxes.

ITEM 2. PLAN OF OPERATION

Special note regarding forward-looking statements

This report contains forward-looking statements within the meaning of federal securities laws. These statements plan for or anticipate the future. Forward-looking statements include statements about our future business plans and strategies, statements about our need for working capital, future revenues, results of operations and most other statements that are not historical in nature. In this Report, forward-looking statements are generally identified by the words "intend", "plan", "believe", "expect", "estimate", "could", "may", "will" and the like. Investors are cautioned not to put undue reliance on forward-looking statements. Except as otherwise required by applicable securities statutes or regulations, the Company disclaims any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise. Because forward-looking statements involve future risks and uncertainties, these are factors that could cause actual results to differ materially from those expressed or implied.

We plan to satisfy our cash requirements, over the next twelve months, through cash infusions from our officers and principal shareholders, in exchange for restricted stock. However, we will need to raise additional capital in the next twelve months. Our management is considering the following options:

- a private offering and sale of our common stock; - a public offering and sale of our common stock; - a combination of private and public sale of our common stock;
- debt financings from officers, shareholders and unrelated third parties.

As of September 30, 2004, all cash infusions from the former president and other related parties have been classified as liabilities in the accompanying condensed balance sheet.

A summary of our product research and development for the term of the plan is as follows:

We have performed research on the recovery and reconstruction of compounds used by the ECHFR to produce hydrogen. It is estimated that over 40 percent of these patented-formula compounds can be reused, possibly lowering the cost of production by as much as 25 percent. In addition, there are several potentially profitable by-products created by the ECHFR that we could market worldwide, such as:

An on-site power plant could possibly be designed for particular needs where electricity and/or gas are necessary to process cooking oil; and

In the treatment of wastewater at abandoned mine sites and other wastewater dumps or quarries, the ECHFR could possibly operate the process by creating power from the actual wastewater to be treated

Subject to the implementation and success of one or more of the financing options discussed above, we plan to expand our capabilities to include commencing production. Once we have commenced production, we plan to hire two to three additional technical personnel.

ITEM 3. CONTROLS AND PROCEDURES

8

(a) Evaluation of disclosure controls and procedures Based on the evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) as of a date within 90 days of the filing date of this Quarterly Report on Form 10-QSB, our chief executive officer and acting chief financial officer has concluded that our disclosure controls and procedures are designed to ensure that the information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and are operating in an effective manner.

(b) Changes in internal controls There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their most recent evaluation.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

No response required.

ITEM 2 - CHANGES IN SECURITIES

During the three months ended March 31, 2004, the Company issued 2,200,010 common shares for services provided to the Company and fairly valued at \$88,000 pursuant to service contracts. During the three months ended June 30, 2004, the Company issued 845,000 common shares for services provided to the Company and fairly valued at \$8,450 pursuant to service contracts. During this same period the Company issued a further 333,333 common shares for cash of \$10,000 and 400,000 common shares for cash of \$6,000.

During the three months ended September 30, 2004, nil shares were issued by the Company.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

No response required.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No response required.

ITEM 5 - OTHER INFORMATION

No response required.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

1. 32.1: Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - CEO and CFO 2. 31.1:

Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - CEO and CFO

(b) Reports on Form 8-K: No response required.

HYDRO ENVIRONMENTAL RESOURCES, INC.

(Respondent)

9

SIGNATURES

The financial information furnished herein has not been audited by an independent accountant; however, in the opinion of management, all adjustments (only consisting of normal recurring accruals) necessary for a fair presentation of the results of operations for the nine months ended September 30, 2004 have been included.

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. Hydro Environmental Resources, Inc.

(Registrant)

DATE: March 17, 2005

Shmulevsky

President

BY: /s/ Mark

Mark Shmulevsky,

10

302 CERTIFICATION

I, Mark Shmulevsky, Chief Executive Officer and Acting Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Hydro Environmental Resources, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a - 14 and 15d - 14) for the registrant and have: designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared; evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 17, 2005

/s/ Mark Shmulevsky

Chief Executive Officer and Acting Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 W.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, the undersigned Chief Executive Officer and Acting Chief Financial Officer, or persons fulfilling similar functions, each certify: That the financial information included in this Quarterly Report fairly presents in all material respects the financial condition and results of operations of the Company as of September 30, 2004 and for the periods presented in the report; and that the Quarterly Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities exchange Act of 1934

By: /s/ Mark Shmulevsky

Title: Chief Executive Officer and Acting Chief Financial Officer

Date: March 17, 2005