

Edgar Filing: ENVIRO VORAXIAL TECHNOLOGY INC - Form 10QSB

ENVIRO VORAXIAL TECHNOLOGY INC  
Form 10QSB  
November 14, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB  
(Mark One)

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

For the quarterly period ended September 30, 2005  
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TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 0-27445  
-----

Enviro Voraxial Technology, Inc.  
-----

(Exact name of Small Business Issuer as specified in its Charter)

IDAHO  
-----

(State or other jurisdiction of  
incorporation or organization)

82-0266517  
-----

(I.R.S. Employer  
Identification No.)

821 NW 57th Place, Fort Lauderdale, Florida 33309  
-----

(Address of principal executive offices)

(954) 958-9968  
-----

(Issuer's telephone number)

-----  
(Former Name, former address and former fiscal year,  
if changed since last Report.)

Check mark whether the Issuer (1) has filed all reports required to be filed by  
Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the past 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  No

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

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: September 30, 2005, we had 19,059,735  
shares of our Common Stock outstanding.

Transitional Small Business Disclosure Format (Check one): Yes  No

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PART I. CONSOLIDATED FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
 CONDENSED CONSOLIDATED BALANCE SHEET  
 (DOLLARS ROUNDED TO 000's, EXCEPT PER SHARE AMOUNTS)  
 (Unaudited)

ASSETS

|                           | September 30, 200   |
|---------------------------|---------------------|
| Current Assets:           |                     |
| Cash and cash equivalents | \$ 126,000          |
| Accounts receivable       | 8,000               |
| Inventory                 | 126,000             |
| Prepaid insurance         | 8,000               |
|                           | -----               |
| Total Current Assets      | 268,000             |
| Fixed assets, net         | 5,000               |
| Other assets              | 10,000              |
|                           | -----               |
| Total Assets              | \$ 283,000<br>===== |

LIABILITIES

|                                       |                  |
|---------------------------------------|------------------|
| Current liabilities:                  |                  |
| Accounts payable and accrued expenses | \$ 387,000       |
|                                       | -----            |
| Total Current Liabilities             | 387,000<br>----- |

STOCKHOLDERS' DEFICIENCY

|   |         |
|---|---------|
| Capital stock, par value \$.001:  |         |
| Preferred stock, voting, 8% noncumulative, convertible,<br>authorized 7,250,000 shares, issued and outstanding - None | --      |
| Common stock, authorized 42,750,000 shares,<br>18,707,235 shares issued and outstanding                               | 19,000  |
| Common stock to be issued, (352,500 shares)   | 140,000 |

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|  |             |
|--|-------------|
| Additional paid-in capital                     | 5,384,000   |
| Deferred costs                                 | (5,000)     |
| Accumulated deficit                            | (5,642,000) |
|  | -----       |
| Total Stockholders' Deficiency                 | (104,000)   |
|  | -----       |
| Total Liabilities and Stockholders' Deficiency | \$ 283,000  |
|  | =====       |

See accompanying notes to condensed consolidated financial statements

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ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(DOLLARS ROUNDED TO 000's, EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

|                               | For the Three Months<br>Ended September 30, |              |       |
|-------------------------------|---|--------------|-------|
|                               | 2005  | 2004         |       |
|                               | ----  | ----         |       |
| Revenue                       |   |              |       |
| Product                       | \$ 8,000                                    | \$ --        | \$    |
| Rental income                 | --  | 2,000        |       |
|                               | -----                                       | -----        | ----- |
| Total revenue                 | 8,000                                       | 2,000        |       |
|                               | -----                                       | -----        | ----- |
| Cost of goods sold            |   |              |       |
| Product                       | --  | --           |       |
|                               | -----                                       | -----        | ----- |
| Gross profit                  | 8,000                                       | 2,000        |       |
|                               | -----                                       | -----        | ----- |
| Operating expenses:           |   |              |       |
| General and administrative    | 106,000                                     | 179,000      |       |
| Research and development      | 260,000                                     | 175,000      |       |
|                               | -----                                       | -----        | ----- |
| Total operating expenses      | 366,000                                     | 354,000      |       |
|                               | -----                                       | -----        | ----- |
| Loss from operations          | (358,000)                                   | (352,000)    |       |
|                               | -----                                       | -----        | ----- |
| Other expenses (income)       |   |              |       |
| Gain on sale of equipment     | --  | --           |       |
| Interest expense              | --  | 5,000        |       |
|                               | -----                                       | -----        | ----- |
| Total Other Expenses (Income) | --  | 5,000        |       |
|                               | -----                                       | -----        | ----- |
| Net loss                      | \$ (358,000)                                | \$ (357,000) | \$    |
|                               | =====                                       | =====        | ===== |

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|   |            |            |       |
|---|------------|------------|-------|
| Basic and diluted loss per common share                                     | \$ (0.02)  | \$ (0.02)  | \$    |
|   | =====      | =====      | ===== |
| Weighted average number of common<br>shares outstanding - basic and diluted | 18,904,844 | 17,662,815 | 1     |
|   | =====      | =====      | ===== |

See accompanying notes to condensed consolidated financial statements

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ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(DOLLARS ROUNDED TO 000's, EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

|   | For the Nine<br>Ended Septem<br>2005 | ----- |
|---|--------------------------------------|-------|
| Cash Flows From Operating Activities  |                                      |       |
| Net loss  | \$ (851,000)                         | \$    |
| Adjustments to reconcile net loss to net<br>cash used in operating activities:  |                                      |       |
| Depreciation  | 3,000                                |       |
| Gain on sale of equipment   | (2,000)                              |       |
| Additional compensation for options issued in excess<br>of accrued compensation | --                                   |       |
| Amortization of deferred compensation   | 84,000                               |       |
| Stock issued for services rendered  | 7,000                                |       |
| Changes in operating assets and liabilities:                                    |                                      |       |
| Accounts receivable   | (8,000)                              |       |
| Inventory   | (47,000)                             |       |
| Prepaid insurance   | (5,000)                              |       |
| Accounts payable and accrued expenses   | 215,000                              |       |
| Deposits from customers   | (7,000)                              |       |
|   | -----                                | ----- |
| Net cash used in operating activities   | (611,000)                            | ----- |
|   | -----                                | ----- |
| Cash Flows From Investing Activities  |                                      |       |
| Additions to fixed assets   | (6,000)                              |       |

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|   |            |    |
|---|------------|----|
| Proceeds from sale of equipment, net                      | 35,000     |    |
|   |            |    |
| Net cash provided by investing activities                 | 29,000     |    |
|   |            |    |
| <b>Cash Flows From Financing Activities</b>               |            |    |
| Net proceeds from issuance of common stock                | 487,000    |    |
| Notes payable   | --         |    |
| Payments of obligations under capital leases              | --         |    |
|   |            |    |
| Net cash provided by financing activities                 | 487,000    |    |
|   |            |    |
| Net (decrease) increase in cash and cash equivalents      | (95,000)   |    |
| Cash and cash equivalents, beginning of period            | 221,000    |    |
|   |            |    |
| Cash and cash, equivalents, end of period                 | \$ 126,000 | \$ |
|   |            |    |
| <b>Supplemental disclosures of cash flow information:</b> |            |    |
| Cash paid for interest                                    | \$ --      | \$ |
| Common stock for services                                 | \$ 57,000  | \$ |
| Warrants issued for services                              | \$ 21,000  | \$ |
| Options issued in settlement of accrued expenses          | \$ --      | \$ |
| Conversion of notes payable to common stock               | \$ --      | \$ |

See accompanying notes to condensed consolidated financial statements

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ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (DOLLARS ROUNDED TO 000's, EXCEPT PER SHARE AMOUNTS)  
 (UNAUDITED)

**NOTE A - ORGANIZATION AND OPERATIONS**

Enviro Voraxial Technology, Inc. and subsidiary (the "Company") is a provider of environmental and industrial separation technology. The Company has developed and patented the Voraxial(R) Separator, which is a technology that efficiently separates solids and liquids with distinct specific gravities. The Voraxial(R) Separator is a continuous flow turbo machine that separates a mixture of fluids or fluids and solids at high flow rates while achieving high levels of purity through the utilization of a strong centrifugal force or vortex.

Prior to 1999, the Company performed contract-manufacturing services to the aerospace and automotive industries through the operation of its high precision engineering machine shop, which designed, manufactured and assembled specialized parts and components. Since 1999, the Company has been focusing its efforts on developing and marketing the Voraxial(R) Separator. The Company is focusing its efforts on a few key opportunities, including wastewater, grit/sand separation, oil-water separation, exploration and production, marine/oil-spill clean up,

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bilge and ballast treatment and manufacturing and food processing waste treatment markets.

The Company may be unable to continue as a going concern, given its limited operations and revenues and its significant losses to date. For the nine months ended September 30, 2005 the Company has a net loss of \$851,000 and a negative cash flow from operations of \$611,000 and as of September 30, 2005, the Company has an accumulated deficit of \$5,642,000 and a working capital deficit of \$119,000. Since 2001, the Company has encountered greater expenses attributed to the development of the Voraxial(R) Separator and has had limited sales revenues from this development. Consequently, the Company's working capital may be insufficient and its operating costs may exceed those experienced in prior years. In light of these recent developments, the Company may be unable to continue as a going concern. However, the Company believes that the exposure received in the past year for the Voraxial(R) Separator has positioned the Company to generate sales and that will provide it with sufficient working capital. The Company intends to fund current working capital requirements through third party financing, including the private placement of securities. However, the Company cannot provide any assurances that it will be able to obtain adequate financing. If the Company is unable to obtain adequate financing, it may reduce its operating activities until sufficient funding is secured or revenues are generated to support operating activities. As a result of the above, the accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### [1] Principles of Consolidation

The condensed consolidated financial statements as of September 30, 2005 include the accounts of the parent company, Enviro Voraxial Technology, Inc., and its wholly owned inactive subsidiary, Florida Precision Aerospace, Inc. All significant intercompany accounts and transactions have been eliminated.

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ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(DOLLARS ROUNDED TO 000's, EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### [2] 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 amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ. A significant estimate involves the value of the Company's inventory.

#### [3] Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable and accrued expenses as of September 30, 2005 approximate their fair values because of their relativity short-term nature.

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### [4] Interim Financial Statements

Financial statements as of September 30, 2005 are unaudited but in the opinion of management the financial statements include all adjustments consisting of normal recurring accruals necessary for a fair presentation of financial position and the comparative results of operation. Results of operations for interim periods are not necessarily indicative of those to be achieved or expected for the entire year. These interim financial statements should be read in conjunction with the Company's Annual Report on Form 10-KSB.

### [5] Net Loss Per Share

Basic and diluted loss per share has been computed by dividing the net loss available to common stockholders by the weighted average number of common shares outstanding. The warrants and options have been excluded from the calculation since it would be anti-dilutive. Such equity instruments may have a dilutive effect in the future and include the following potential common shares:

|               |           |
|---------------|-----------|
| Warrants      | 5,648,695 |
| Stock options | 4,054,666 |
|               | -----     |
|               | 9,703,361 |
|               | =====     |

### [6] Research and Development Expenses

Research and development costs, which consist of travel expenses, consulting fees, subcontractors and salaries are expensed as incurred.

### [7] Stock-based Compensation

The Company accounts for stock-based employee compensation under Accounting Principles Board ("APB" Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The Company has adopted the

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ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (DOLLARS ROUNDED TO 000's, EXCEPT PER SHARE AMOUNTS)  
 (UNAUDITED)

disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" and SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," which was released in December 2002 as an amendment to SFAS No. 123. The following table illustrates the effect on net loss and loss per share if the fair value based method had been applied to all awards.

|   | Three months ended<br>September 30, |              |    |  |     |
|---|-------------------------------------|--------------|----|--|-----|
|   | -----                               |              |    |  |     |
|   | 2005                                | 2004         |    |  |     |
|   | ----                                | ----         |    |  |     |
| Reported net loss   | \$ (358,000)                        | \$ (357,000) | \$ |  | (85 |
| Stock-based employee compensation expense included in reported net loss | --                                  | --           |    |  |     |



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|  |             |              |        |
|--|-------------|--------------|--------|
| Stock-based employee compensation determined under the fair value based method | --          | (5,000)      |        |
| Pro forma net loss   | \$ 358,000) | \$ (362,000) | \$ (85 |
| Basic and diluted loss per common share:                                       |             |              |        |
| As reported  | \$ (.02)    | \$ (.02)     | \$     |
| Pro forma  | \$ (.02)    | \$ (.02)     | \$     |

### [8] Inventory

Inventory consists of components for the Voraxial(R) Separator and is priced at lower of first-in, first-out cost or market. Inventory includes components held by third parties in connection with pilot programs as part of the continuing evaluation by such third parties as to the effectiveness and usefulness of the service to be incorporated into their respective operations.

### [9] Revenue Recognition

The Company recognizes equipment rental revenue and contract revenue when earned. Shipments of the Voraxial(R) Separator to third parties are recognized as revenue upon customer acceptance. Shipments to third parties in connection with pilot programs are not recognized as revenue and such components are included in inventory as of September 30, 2005.

During the nine months ended September 30, 2005 the Company has recorded revenues of \$128,000, which consists of the sale of one Voraxial(R) Separator for \$120,000 and the sale of machined items for \$8,000. These machined items had been previously written-off as obsolete inventory as of December 31, 2004.

ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(DOLLARS ROUNDED TO 000's, EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

### NOTE C - EQUITY TRANSACTIONS

In January 2005 the Company entered into a one-year consulting agreement with its former Chief Operating Officer for engineering design, marketing and sales of Company products and services. Pursuant to this agreement, the Company granted 50,000 warrants to this individual. These warrants vest equally in 12 tranches over a period of one year commencing in January, 2005 and expire in January 2008. The Company estimated the fair value of the warrants at the grant date by using the Black-Scholes option-pricing model with the following weighted average assumptions: no dividend yield for all the years; expected volatility of 133%; risk-free interest rate of 3% and an expected life of 3 years, resulting in a fair value of approximately \$21,000. The amount is being amortized over the life of the agreement resulting in an expense of approximately \$16,000 for the nine months ended September 30, 2005. The remaining unamortized balance of \$5,000 is included in the condensed consolidated balance sheet as deferred costs, a component of stockholders' deficiency.

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In May 2005, the Company authorized the issuance of 150,000 shares of common stock to a consultant valued at \$57,000 based on the closing market price of the Company's common stock on the date of the agreement. These shares are included in the consolidated balance sheet as common stock to be issued. In addition, the Company paid \$40,000 in cash to this consultant. These amounts are amortized over the life of the consulting agreement of four months, resulting in consulting expense of \$97,000 for the nine months ended September 30, 2005.

During the nine months ended September 30, 2005, the Company received cash from eight accredited investors to purchase an aggregate of 1,218,333 shares of the Company's restricted common stock at \$0.40 per share for proceeds of \$487,333. At September 30, 2005 there were 187,500 of these shares included in the consolidated balance sheet as common stock to be issued.

On July 1, 2005, the Company entered into a consulting agreement and agreed to issue 15,000 shares for services performed, which were valued at \$7,650. These shares are included in the consolidated balance sheet as common stock to be issued.

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### Item 2. Management's Discussion and Analysis of Financial Condition and Plan of Operations

#### General

Enviro Voraxial Technology, Inc. and subsidiary (the "Company") is a provider of environmental and industrial separation technology. The Company has developed and patented the Voraxial(R) Separator, which is a technology that efficiently separates solids and liquids with distinct specific gravities. The Voraxial(R) Separator is a continuous flow turbo machine that separates a mixture of fluids or fluids and solids at high flow rates while achieving high levels of purity through the utilization of a strong centrifugal force or vortex. Management of the Company believes the scalability and efficiency of the Voraxial(R) Separator make the technology universal to any industry requiring the separation of liquids and/or liquids and solids, regardless of the quantity needed to be processed. Potential commercial applications and markets include pre-treatment of wastewater (headworks) at municipal wastewater facilities, exploration and production, oil/water separation, and environmental cleanup.

#### Forward-Looking Statements

The following discussion of the financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes thereto. The following discussion contains forward-looking statements. Enviro Voraxial(R) Technology is referred to herein as "the Company", "we" or "our." The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated,"

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"estimate," "project," or similar expressions are intended to identify "forward-looking statements". Such statements include those concerning our expected financial performance, our corporate strategy and operational plans. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of risks and uncertainties. Statements made herein are as of the date of the filing of this Form 10-QSB with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

### Application of Critical Accounting Policies

The Company's consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain accounting policies have a significant impact on amounts reported in the financial statements. A summary of these significant accounting policies can be found in Note B to the Company's financial statements in the Company's 2004 Annual Report on Form 10-KSB. The Company has not adopted any significant new policies during the quarter ended September 30, 2005.

Among the significant judgments made in preparation of the Company's financial statements are the determination of the allowance for doubtful accounts and adjustments of inventory valuations. These adjustments are made each quarter in the ordinary course of accounting.

### Results of Operations for the three Months ended September 30, 2005 and 2004:

#### Revenue

Our revenues were \$8,000 for the three months ended September 30, 2005 as compared to \$2,000 for the three months ended September 30, 2004. Revenues in

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2005 were from the sale of machined items, while revenues in 2004 were from rental income. The Company continues to focus on its sales and marketing program for the Voraxial(R) Separator and management believes such efforts will result in increasing opportunities and revenues in 2005.

#### Research and Development Expenses

Research and Development expenses increased by 49% to \$260,000 for the three months ended September 30, 2005, up from \$175,000 for the previous three months ended September 30, 2004. Although the Company has finalized the development of the Voraxial(R) Separator, we targeted expenditures for specific industry applications for the technology, including produced water applications (separation of oil from water) for offshore oil platforms. The Company built and tested units for these applications during the three months ended September 30, 2005.

#### General and Administrative Expenses

General and Administrative expenses decreased by 41% to \$106,000 for the three months ended September 30, 2005 down from \$179,000 for the three months ended September 30, 2004. The decrease is principally due to a decrease in salary expense. In an effort to reduce cost, the Company terminated its employment contract and entered into a consulting agreement with its former COO. We are focusing our efforts on marketing of the Voraxial(R) Separator in specific areas and consolidating our expenses.

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Results of Operations for the Nine Months ended September 30, 2005 and 2004:

### Revenue

Our revenues were \$128,000 for the nine months ended September 30, 2005 from sales of the Voraxial Separator as compared to \$14,000 for the nine months ended September 30, 2004 of which \$13,000 was for rental income. The Company continues to focus on its sales and marketing program for the Voraxial(R) Separator and management believes such efforts will result in increasing revenues in 2005.

### Research and Development Expenses

Research and Development expenses decreased by 33% to \$588,000 for the nine months ended September 30, 2005, down from \$877,000 for the previous nine months ended September 30, 2004. Although the Company has finalized the development of the Voraxial(R) Separator, we targeted expenditures for specific industry applications for the technology and were building test units for these applications during the nine months ended September 30, 2005.

### General and Administrative Expenses

General and Administrative expenses decreased by 26% to \$359,000 for the nine months ended September 30, 2005 down from \$482,000 for the nine months ended September 30, 2004. In the quarter ended March 31, 2004 certain non-cash equity transactions resulted in \$350,000 of charges for services provided. The increase was partially offset by the decrease in general and administrative expenses disclosed above. We are presently focusing our efforts on marketing of the Voraxial(R) Separator in specific areas and consolidating our expenses.

### Liquidity and Capital Resources:

For the nine months ended September 30, 2005 our working capital decreased by \$243,000 to a deficit of \$119,000 from a December 31, 2004 working capital balance of \$124,000. This decrease was represented by a decrease in cash of

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\$95,000, and an increase in other current liabilities of \$208,000, offset by an increase in inventory of \$47,000, an increase in prepaid insurance of \$5,000 and an increase in accounts receivable of \$8,000.

Operating at a loss for the nine months ended September 30, 2005, negatively impacted our cash position. During the nine months ended September 30, 2005, we received an aggregate of \$487,333 from a private placement transaction. Such funds were used for working capital purposes. We anticipate generating positive cash flow from the Voraxial(R) Separator in 2006. To the extent such revenues and corresponding cash flows do not materialize, we will require an infusion of capital to sustain our operations. We cannot be assured that we will generate revenues or that the level of any future revenues will be self-sustaining. Furthermore, we cannot provide any assurances that required capital will be obtained or that terms of such required capital may be acceptable to us.

The Company intends to fund current working capital requirements through third party financing, including the private placement of securities. However, the Company cannot provide any assurances that it will be able to obtain adequate financing. If the Company is unable to obtain adequate financing, it may reduce its operating activities until sufficient funding is secured or revenues are generated to support operating activities.

### Continuing Losses

We may be unable to continue as a going concern, given our limited operations

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and revenues and our significant losses to date. For the nine months ended September 30, 2005 the Company had a net loss of \$851,000 and a negative cash flow from operations of \$611,000 and as of September 30, 2005, the Company has an accumulated deficit of \$5,642,000. Since 2001, we have encountered greater expenses in the development of our Voraxial(R) Separators and have had limited sales income from this development. Consequently, our working capital may not be sufficient and our operating costs may exceed those experienced in our prior years. In light of these recent developments, we may be unable to continue as a going concern. However, we believe that the exposure received in the past year for the Voraxial Separator has positioned the Company to begin generating sales and supply us with sufficient working capital. As a result of the above, the accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Item 3. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's principal executive officer and principal financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any

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controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this report, the Company's principal executive officer and principal financial officer concluded that, as of such date, the Company's disclosure controls and procedures were effective.

#### Changes in Internal Controls

No change in the Company's internal control over financial reporting occurred during the last fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In January 2005, the Company entered into a one-year consultant contract agreement with its former chief operating officer, who was terminated by mutual agreement on December 31, 2004. Pursuant to this agreement, the former officer will provide marketing and consulting services for a period of one year. Under the agreement the Company issued 50,000 cashless warrants to purchase common stock at an exercise price of \$1.00 per share. The warrants were issued under the exemption from registration provided by Section 4(2) of the Securities Act. The warrants contain a legend restricting their transferability absent registration or applicable exemption. The former officer had access to current information concerning the Company at the time the warrants were issued.

In May 2005, the Company issued 150,000 shares of common stock to a consultant resulting in those shares having a value of \$57,000. This amount was amortized over the life of the consulting agreement, four months. The shares were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act. The shares issued to the consultant contained a legend restricting their

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transferability absent a registration or exemption. The consultant had access to current information about the Company and had the ability to ask questions about the Company at the time of the execution of the consulting agreement.

For the nine months ended September 30, 2005, the Company received subscriptions from eight accredited investors to purchase an aggregate of 1,218,333 shares of the Company's restricted common stock. The Company received proceeds of \$487,333 from the sales of stock to these individuals. The securities were sold pursuant to the exemption from registration provided by Section 4(2) of the Securities Act. The shares contained a legend restricting their transferability absent registration or applicable exemption. The investors had access to current information about the Company and had the ability to ask questions about the Company at the time of their investment.

On July 1, 2005, the Company entered into a consulting agreement and agreed to issue 15,000 shares for services performed, which were valued at \$7,650. These shares are included in the consolidated balance sheet as common stock to be issued.

### Item 3. Default Upon Senior Securities

None.

### Item 4. Submission of Matters to a Vote of Securities

None.

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### Item 5. Other Information

In September, the Company entered into a sales agreement with China Offshore Oil Bohai Corporation to deploy a Voraxial(R) Separator on an offshore oil production platform for a produced water (oil/water) separation application. China Offshore Oil Bohai Corporation is a wholly-owned subsidiary of CNOOC (NYSE: CEO - News), China's third largest oil company. The Company believes the Voraxial(R) Separator can be used by China Offshore Oil Bohai Corporation to enhance the handling of large volumes of produced water and re-injection water on one of their offshore production platforms. The Company believes the Voraxial(R) Separator will provide China Offshore Oil Bohai Corporation with superior separation while decreasing the amount of space, energy and weight to conduct the separation - all of which are precious commodities on the offshore platform. The Voraxial(R) Separator has been specifically designed to accommodate the offshore equipment requirements. To date there have been no sales to China Offshore Oil Bohai Corporation.

In October, the Company signed a contract to deploy a Voraxial(R) 2000 Separator to a New Mexico oil production facility for a produced water (oil/water) separation application.

The Company believes the need for effective produced water (oil/water) separation is a major issue for both offshore and land-based oil production facilities. Oil reservoirs frequently contain large volumes of water and as oil wells mature (the oil field becomes depleted), the amount of produced water increases. In the continental US, it is estimated that more than 10 barrels of water is produced for every

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barrel of oil. The produced water must be purified or treated for removal of oil and solids prior to discharge or re-injection into underground formations.

Item 6. Exhibits

- 31.1 Form 302 Certification of CEO
- 31.2 Form 302 Certification of Principal Financial Officer
- 32.1 Form 906 Certification of CEO
- 32.2 Form 906 Certification of Principal Financial Officer

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SIGNATURE

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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 as a duly authorized officer of the Registrant.

Enviro Voraxial Technology, Inc.

By: /s/ Alberto DiBella

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Alberto DiBella  
Chief Executive Officer and  
Principal Financial Officer

DATED: November 11, 2005



