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ENVIRO VORAXIAL TECHNOLOGY INC
Form 10QSB
November 14, 2006

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, 2006

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, 2006, we had 21,492,235 shares of our Common Stock outstanding.

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

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PART I. CONSOLIDATED FINANCIAL INFORMATION

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Item 1. Financial Statements.

ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY CONDENSED CONSOLIDATED BALANCE SHEET

	30-Sep 2006 ----- (Unaudited)
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 381,492
Accounts receivable	41,430
Inventory	197,132
Prepaid expenses	8,997

Total current assets	629,051
FIXED ASSETS, NET	4,897
OTHER ASSETS	10,000

Total assets	\$ 643,948 =====
LIABILITIES AND SHAREHOLDERS' DEFICIT	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$ 589,515

Total current liabilities	589,515

Total liabilities	589,515

COMMITMENTS AND CONTINGENCIES	
SHAREHOLDERS' DEFICIT:	
Common stock, \$.001 par value, 42,750,000 shares authorized	
21,492,235 shares issued and outstanding	21,492
Additional paid-in capital	6,520,330
Deferred consulting	(20,000)
Accumulated deficit	(6,467,389)

Total shareholders' deficit	54,433

Total liabilities and shareholders' deficit	\$ 643,948 =====

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The accompanying notes are an integral part of the consolidated financial statements.

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ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Mon
	2006	2005	2006
	(Unaudited)	(Unaudited)	(Unaudit
Revenues, net	\$ 46,261	\$ 8,000	\$ 20
Cost of goods sold	6,423	-	7
Gross Profit	39,838	8,000	\$ 13
Costs and expenses:			
General and administrative	135,748	106,000	44
Research and development	102,408	260,000	28
Total costs and expenses	238,156	366,000	72
Loss from operations	(198,318)	(358,000)	\$ (58
Other income			
Gain on sale of equipment	-	-	
Total other income	-	-	
NET LOSS	\$ (198,318)	\$ (358,000)	\$ (58
Weighted average number of common shares outstanding-basic & diluted	20,751,262	18,279,323	20,06
Basic and diluted loss per common share	\$ (0.01)	\$ (0.02)	\$

The accompanying notes are an integral part of the consolidated financial statements.

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ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months En
	----- 2006 ----- (Unaudited)
Cash Flows From Operating Activities:	
Net loss	\$ (585,384) \$
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation	531
Gain on sale of equipment	-
Common stock issued for services	60,000
Amortization of deferred compensation	33,367
Deferred compensation	20,000
Changes in assets and liabilities:	
Accounts receivable	(41,430)
Inventory	(71,098)
Prepaid insurance	(8,997)
Accounts payable and accrued expenses	164,812
Deposits from customers	-

Net cash used in operating activities	(428,199)

Cash Flows From Investing Activities:	
Purchase of equipment	-
Proceeds from sale of equipment, net	-

Net cash provided by investing activities	-

Cash Flows From Financing Activities:	
Proceeds from sales of common stock	733,000

Net cash provided by financing activities	733,000

Net increase in cash and cash equivalents	304,801

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Cash and cash equivalents, beginning of period		76,691

Cash and cash equivalents, end of period	\$	381,492
		=====

Supplemental Disclosures

Cash paid during the year for interest	\$	-
		=====
Cash paid during the year for taxes	\$	-
		=====
Common stock issued for deferred consulting	\$	20,000
		=====
Common stock issued for consulting services	\$	60,000
		=====
Warrants issued for services	\$	-
		=====

The accompanying notes are an integral part of the consolidated financial statements.

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NOTE A - ORGANIZATION AND OPERATIONS

Organization

Enviro Voraxial Technology, Inc. (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. Potential commercial applications and markets include oil exploration and production, oil and water separation, environmental cleanup and pre-treatment of wastewater at municipal wastewater (headworks) facilities.

Florida Precision Aerospace, Inc. (FPA) is the wholly owned subsidiary of the Company and is used to do contract work with the aerospace, automotive and defense contracting activity.

In March 2006, a Voraxial(R) 4000 Separator was sold to ConocoPhillips for produced water separation. The machine will be used to enhance the handling of large volumes of produced water and water injection at a production facility.

In September 2006, the Company received an order to supply Transocean Inc. semisubmersible rig Sedco 702 with a Voraxial 2000 Offshore Deck Water Drainage System. The System will be utilized to handle and separate contaminated drill floor run-off water containing solids and drilling fluids.

NOTE B - GOING CONCERN

The Company has experienced net losses and negative cash flows from operating activities. They will need to raise capital to sustain operations. There is no assurance that the Company will ever have commercially accepted products, that their developmental and marketing efforts will be successful or that they will achieve a level of revenue sufficient to provide cash inflows to sustain operations. The Company will continue to require the infusion of capital until operations become profitable. During 2006, the Company anticipates seeking additional capital, increasing sales of the Voraxial(R) Separator and continuing

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to restrict expenditures. As a result of the above, the accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Statements

The interim financial statements presented herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. The interim financial statements should be read in conjunction with the Company's annual financial statements, notes and accounting policies included in the Company's annual report on Form 10-KSB for the year ended December 31, 2005 as filed with the SEC. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of financial position as of September 30, 2006 and the related operating results and cash flows for the interim period presented have been made. The results of operations, for the period presented are not necessarily indicative of the results to be expected for the year.

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NOTE D - CAPITAL TRANSACTIONS

Common stock

In January 2006, the Company extended the exercisable life of certain warrants issued to investors to purchase an aggregate of 243,200 shares of common stock issued in 2000 for a period of one year. The warrants now expire in February 2007.

In January 2006, the Company extended the exercisable life of certain warrants issued to investors to purchase an aggregate of 200,000 shares of common stock issued in 2001 for a period of one year. The warrants now expire in April 2007.

In January 2006, the Company issued 100,000 shares of common stock to a consultant, valued at \$40,000, which is based on the closing market price of the Company's common stock on the date of the agreement.

During the six months ended June 30, 2006 the Company sold 720,000 shares of common stock for \$0.40 per share in a private placement offering. Total proceeds from the sale were \$288,000.

In August 2006, the Company issued 100,000 shares of common stock to a consultant, valued at \$40,000, which is based on the closing market price of the Company's common stock on the date of the agreement.

During the three months ended September 30, 2006 the Company sold 1,112,500 shares of common stock for \$.40 per share in a private placement offering. Total proceeds from the sale were \$445,000.

Options

Information with respect to employee stock options outstanding and employee stock options exercisable at September 30, 2006 is as follows:

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	Options Outstanding	Vested Shares	Exercise Price Per Common Share
Balance, December 31, 2005	3,729,666	3,709,666	\$0.15-\$1.00
Granted/vested during the quarter	-	-	-
Balance, March 31, 2006	3,729,666	3,709,666	\$0.15-\$1.00
Granted/vested during the quarter	-	-	-
Balance, September 30, 2006	3,729,666	3,709,666	\$0.15-\$1.00

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The following table summarizes information about the stock options outstanding at September 30, 2006:

Exercise Price	Number Outstanding at September 30, 2006	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at September 30, 2006
0.30	45,000	0.87	0.30	45,000
0.77	200,000	1.13	0.77	200,000
0.15	2,000,000	1.55	0.15	2,000,000
1.00	10,000	1.00	1.00	10,000
0.60	697,333	3.13	0.60	697,333
1.00	697,333	3.13	1.00	697,333
1.00	50,000	3.00	1.00	50,000
0.71	30,000	1.17	0.71	30,000
	----- 3,729,666 -----			----- 3,729,666 -----

Warrants

Information with respect to warrants outstanding and exercisable at September

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30, 2006 is as follows:

	Number Outstanding	Range of Exercise Price	Nu Exerc
Balance, December 31, 2005	5,589,367	\$0.75 - \$9.00	5
Issued			
Balance, March 31, 2006	5,589,367	\$0.75 - \$9.00	5
Issued			
Balance, September 30, 2006	5,589,367	\$0.75 - \$9.00	5

NOTE E - CONCENTRATION

Revenues -----

For the nine months ended September 30, 2006, the Company generated over 80% of its revenues from one customer.

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

General

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," "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

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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 2005 Annual Report on Form 10-KSB. The Company has not adopted any significant new policies during the quarter ended September 30, 2006.

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, 2006 and 2005:

Revenue

Our revenues increased 478% to \$46,261 for the three months ended September 30, 2006 as compared to \$8,000 for the three months ended September 30, 2005. Revenues from both periods relate to the sales of Voraxial(R) Separator Equipment. The Company continues to focus on its sales and marketing program for the Voraxial(R) Separator, specifically in the oil exploration and production market. Management believes such efforts will result in more clients and continuing increasing revenues in 2006.

Research and Development Expenses

Research and Development expenses decreased by 60% \$102,408 for the three months ended September 30, 2006, as compared to \$260,000 for the previous three months

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ended September 30, 2005. Although the Company has finalized the development of the Voraxial(R) Separator, we targeted expenditures for specific applications for the technology within the oil industry during the three months ended September 30, 2006.

General and Administrative Expenses

General and Administrative expenses increased by 28% to 135,478 for the three months ended September 30, 2006 up from \$106,000 for the three months ended September 30, 2005. The increase was primarily due to the increase in sales and marketing activity in the oil exploration and production industry. We continue to focus our efforts on marketing the Voraxial(R) Separator in the oil industry.

Results of Operations for the Nine Months ended September 30, 2006 and 2005:

Revenue

Our revenues increased 62% to \$208,425 for the nine months ended September 30, 2006 as compared to \$128,000 for the nine months ended September 30, 2005. The increase in revenue was due to the sales of Voraxial(R) Separator equipment. The Company continues to focus on its sales and marketing program for the Voraxial(R) Separator, specifically in the oil exploration and production market. Interest in the Voraxial Separator has increased significantly in the past several quarters, as such, Management believes such efforts will continue to result in additional clients and increasing revenues in 2006.

Research and Development Expenses

Research and Development expenses decreased by 52% to \$281,124 for the nine months ended September 30, 2006, as compared to \$588,000 for the previous nine months ended September 30, 2005. The Company has finalized the development of the Voraxial(R) Separator and has begun the sales and marketing of the product. However, we continue to seek improvements to the product, specifically within

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the oil industry.

General and Administrative Expenses

General and Administrative expenses increased by 22% to \$441,257 for the nine months ended September 30, 2006 up from \$359,000 for the nine months ended September 30, 2005. The increase was due to various overhead expenses, including, but not limited to sales and marketing in the oil exploration and production industry. We continue to focus our efforts on marketing of the Voraxial(R) Separator.

Liquidity and Capital Resources:

Cash at September 30, 2006 was \$381,492. Working capital surplus at September 30, 2006 was \$39,536 as compared to a working capital deficit at December 31, 2005 of \$221,978. The increase in the working capital was primarily due to a \$304,801 increase in cash, an increase in inventory of \$71,098, an increase in Accounts Receivable of \$41,430 and increase in prepaid expenses of \$8,997. These amounts were partially offset by an increase in Accounts Payable and Accrued Expenses of \$163,812.

At September 30, 2006 the Company had an accumulated deficit of \$6,467,389. We anticipate generating positive cash flow from the Voraxial(R) Separator by the

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end of 2007. To the extent such revenues and corresponding cash flows do not materialize, we will continue to require 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 has funded working capital requirements and 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. During the three months ended September 30, 2006, the Company received \$445,000 from four accredited investors that purchased an aggregate of 1,112,500 shares of the Company's restricted common stock at \$0.40 per share.

The Company has expanded its sales and marketing efforts for produced water separation in the oil exploration and production market. During the nine months ended September 30, 2006 the Company sold and delivered a Voraxial 4000 Separator for produced water separation to ConocoPhillips. ConocoPhillips is among the largest five integrated energy companies and refiners in the United States. The machine will be used to enhance the handling of large volumes of produced water and water injection at a production facility. The Company also received a purchase order to provide Transocean Inc. semisubmersible rig Sedco 702 with a Voraxial 2000 Offshore Deck Water Drainage System. The System will be utilized to handle and separate contaminated drill floor run-off water containing solids and drilling fluids on their offshore rig.

In July 2006, the Company received a Letter of Intent from OMV Austria Exploration and Production GmbH, a leading integrated oil and gas group in Central and Eastern Europe, to evaluate the use of a Voraxial Separator to handle its 300,000-barrel per day produced water system.

Continuing Losses

We may be unable to continue as a going concern, given our limited operations and revenues and our significant losses to date. 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.

Controls and Procedures

Evaluation of disclosure controls and procedures

As of the end of the period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). This evaluation was done under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer. Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures are effective in gathering, analyzing and disclosing information needed to satisfy our disclosure obligations under the Exchange Act.

Changes in internal controls

There were no changes in our internal controls or in other factor during the period covered by this report that have materially affected, or is likely to materially affect the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

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

During the three month period ended September 30 2006, the Company received \$445,000 from four accredited investors that purchase an aggregate of 1,112,500 shares of the Company's restricted common stock at \$0.40 per share. The issuances were exempt from registration under Section 4(2) of the Securities Act. The investors received information concerning the Company and had the opportunity to ask questions concerning the viability of the Company. The shares contain legends restricting their transferability absent registration or applicable exemption.

In August 2006, the Company entered into a three month consulting agreement and agreed to issue 100,000 shares for services performed by a consultant, which were valued at \$40,000. The shares were issued pursuant to the exemption from registration under Section 4(2) of the Securities Act. The consultant received information concerning the Company and had the opportunity to ask questions concerning the Company. The shares issued contain a legend restricting transferability absent registration or applicable exemption.

Item 3. Default Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Securities

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits required by Item 601 of Regulation S-B

- 31.1 Form 302 Certification of Chief Executive Officer
- 31.2 Form 302 Certification of Principal Financial Officer
- 32.1 Form 906 Certification of Chief Executive Officer and Principal Financial Officer

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SIGNATURE

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

Alberto DiBella
Chief Executive Officer and
Principal Financial Officer

DATED: November 10, 2006

