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ENVIRO VORAXIAL TECHNOLOGY INC
Form 10QSB
May 22, 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 March 31, 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: March 31, 2006, we had 19,864,735
shares of our Common Stock outstanding.

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

INDEX

PART I. CONSOLIDATED CONDENSED FINANCIAL INFORMATION

Item 1. Consolidated Condensed Financial Statements.....

Condensed Consolidated Balance Sheet - March 31, 2006 (Unaudited).....

Condensed Consolidated Statements of Operations for the
Three Months Ended March 31, 2006 and 2005 (Unaudited).....

Condensed Consolidated Statements of Cash Flows for the
Three Months Ended March 31, 2006 and 2005 (Unaudited).....

Notes to Condensed Consolidated Financial Statements (Unaudited).....

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

Item 3. Controls and Procedures.....

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.....

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

Item 3. Default Upon Senior Securities.....

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

Item 5. Other Information.....

Item 6. Exhibits.....

Signatures

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PART I. CONSOLIDATED FINANCIAL INFORMATION

Item 1. Financial Statements.

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

		March 31, 2006
		(Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$	161
Accounts receivable		22
Inventory		137
Prepaid expenses		26

Total current assets		347
FIXED ASSETS, NET		5
OTHER ASSETS		10

Total assets	\$	362
		=====
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$	533
Customer deposits		78

Total current liabilities		611

Total liabilities		611

COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' DEFICIENCY:		
Common stock, \$.001 par value, 42,750,000 shares authorized		
19,864,735 shares issued and outstanding		19
Additional paid-in capital		5,870
Deferred compensation		(41)
Accumulated deficit		(6,098)

Total shareholders' deficiency		(249)

Total liabilities and shareholders' deficiency	\$	362
		=====

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

3

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

	Three Months Ended
	----- 2006 ----- (Unaudited)
Revenues, net	\$ 22,164
Cost of goods sold	4,778 -----
Gross Profit	17,386
Costs and expenses:	
General and administrative	88,409
Research and development	145,696 -----
Total costs and expenses	234,105 -----
Loss from operations	(216,719) -----
NET LOSS	\$ (216,719) =====
Weighted average number of common shares outstanding-basic & diluted	19,622,797 =====
Basic and diluted loss per common share	\$ (0.01) =====

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

4

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

	For the Three Months
	2006
	(Unaudited)
Cash Flows From Operating Activities:	
Net loss	\$ (216,719)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation	147
Common stock issued for services	40,000
Amortization of deferred compensation	--
Deferred compensation	12,062
Changes in assets and liabilities:	
Accounts receivable	(22,164)
Inventory	(10,988)
Prepaid insurance	(26,991)
Accounts payable and accrued expenses	108,297
Deposits from customers	78,750

Net cash used in operating activities	(37,606)

Cash Flows From Investing Activities:	
Purchase of equipment	--

Net cash provided by investing activities	--

Cash Flows From Financing Activities:	
Proceeds from sales of common stock	122,000

Net cash provided by financing activities	122,000

Net increase (decrease) in cash and cash equivalents	84,394
Cash and cash equivalents, beginning of period	76,691

Cash and cash equivalents, end of period	\$ 161,085
	=====
Supplemental Disclosures	
Cash paid during the year for interest	\$ --
	=====
Cash paid during the year for taxes	\$ --
	=====

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Common stock issued for deferred consulting	\$	--
Common stock issued for consulting services	\$	40,000

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

5

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, pre-treatment of wastewater at municipal wastewater (headworks) facilities, oil and water separation, and environmental cleanup.

Since 1999, the Company has been focusing its efforts on developing and marketing the Voraxial(R) Separator. The Company currently operates within two segments: the sales and marketing of the Voraxial(R) Separator and the manufacture of the Voraxial(R) Separator.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

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

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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 March 31, 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.

Use of Estimates

Use of estimates and assumptions by management is required in the preparation of financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates and assumptions.

Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing earnings available to common shareholders by the weighted-average number of common shares outstanding

6

for the period as required by the Financial Accounting Standards Board (FASB) under Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Shares". Diluted EPS reflects the potential dilution of securities that could share in the earnings.

NOTE C - 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 three months ended March 31, 2006 the Company sold 305,000 shares of common stock for \$0.40 per share in a private placement offering. Total proceeds from the sale were \$122,000.

Options

Information with respect to employee stock options outstanding and employee stock options exercisable at March 31, 2006 is as follows:

	Options Outstanding	Vested Shares	Exercise Price Per Common Share	Weight Exercis Option
	-----	-----	-----	-----
Balance, December 31, 2002	2,245,000	1,115,000	\$0.15-\$0.77	\$
Granted/vested during the year	10,000	1,120,000	\$1.00	
Balance, December 31, 2002	2,245,000	2,235,000	\$0.15-\$1.00	\$
Granted/vested during the year	1,424,666	1,424,666	\$0.15-\$1.00	\$

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Balance, December 31, 2004	3,679,666	3,659,666	\$0.15-\$1.00	\$
Granted/vested during the year	50,000	50,000	\$1.00	
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	\$

7

The following tables summarize information about the stock options and warrants outstanding at March 31, 2006:

Options

Exercise Price	Number Outstanding at March 31, 2006	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at March 31, 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

	Number Outstanding	Range of Exercise Price
	-----	-----
Balance - December 31, 2002	1,477,200	\$1.00 - \$9.00
Issued	1,585,002	\$1.00

Balance, December 31, 2003	3,062,202	\$1.00 - \$9.00
Issued	2,527,165	\$0.75 - \$1.00

Balance, December 31, 2004	5,589,367	\$0.75 - \$9.00
Issued	--	--
	-----	-----

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Balance, December 31, 2005	5,589,367	\$0.75 - \$9.00
Issued	--	--
	-----	-----
 Balance, March 31, 2006	 5,589,367	 \$0.75 - \$9.00
	-----	-----

NOTE D - SUBSEQUENT EVENTS

Subsequent to March 31, 2006 the Company sold 415,000 shares of common stock for \$.40 per share in a private placement offering. Total proceeds from the sale were \$166,000.

8

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 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 March 31, 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

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the ordinary course of accounting.

Results of Operations for the Three Months ended March 31, 2006 and 2005:

Revenue

Our revenues were \$22,164 for the three months ended March 31, 2006 as compared to \$-0- for the three months ended March 31, 2005. The revenues were from the sale of Voraxial equipment parts for approximately \$11,000 and the lease of a Voraxial Separator for approximately \$11,000. 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 2006.

Research and Development Expenses

Research and Development expenses increased by 22% to \$145,696 for the three months ended March 31, 2006, as compared to \$119,000 for the previous three months ended March 31, 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 March 31, 2006.

9

General and Administrative Expenses

General and Administrative expenses decreased by 29% to \$88,409 for the three months ended March 31, 2006 down from \$125,000 for the three months ended March 31, 2005. The decrease was primarily due to a decreases in overall general and administrative expenses. We continue to focus our efforts on marketing of the Voraxial Separator.

Liquidity and Capital Resources:

Cash at March 31, 2006 was \$161,085. Working capital deficit at March 31, 2006 was \$264,488 as compared to a working capital deficit at December 31, 2005 of \$221,978. The increase in the working capital deficit was primarily due to an increase in customer deposits of \$78,750 and increase in accounts payable and accrued expenses of \$108,297. These amounts were partially offset by a \$84,394 increase in cash. The customer deposit is from a purchase order from ConocoPhillips for a Voraxial Separator. The Company expects to deliver the Voraxial Separator by July 2006.

At March 31, 2006 the Company had an accumulated deficit of \$6,098,724. We anticipate generating positive cash flow from the Voraxial(R) Separator by the end of 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 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 period covered by this report, the Company received \$122,000 from seven accredited investors that purchased an aggregate of 305,000 shares of the Company's restricted common stock at \$0.40 per share. Subsequent to the period covered by this report, the Company sold an aggregate

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of 415,000 shares of its common stock to six investors and received proceeds of \$166,000. Such proceeds will be used to fund working capital requirements.

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.

10

Item 3. 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

In January 2006, the Company entered into a six 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.

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During the three month period ended March 31 2006, the Company received \$122,000 from seven accredited investors, including the Company's executive vice president, that purchased an aggregate of 305,000 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 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.

Subsequent to the period covered by this report the Company received \$166,000 from six accredited investors that purchased an aggregate of 415,000 shares of the Company's restricted common stock at \$0.40 per share. The

11

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.

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

12

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: May 19, 2006

