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ENVIRO VORAXIAL TECHNOLOGY INC
Form 10QSB
August 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 June 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: June 30, 2006, we had 20,279,735
shares of our Common Stock outstanding.

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

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PART I. CONSOLIDATED CONDENSED FINANCIAL INFORMATION

Item 1. Consolidated Condensed Financial Statements

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

| | June 20 ----- (Unau |
|--|------------------------------|
| ASSETS | |
| CURRENT ASSETS: | |
| Cash and cash equivalents | \$ |
| Accounts receivable | |
| Inventory | |
| Prepaid expenses | |
| | ----- |
| Total current assets | |
| FIXED ASSETS, NET | |
| OTHER ASSETS | |
| | ----- |
| Total assets | \$ ===== |
| LIABILITIES AND SHAREHOLDERS' DEFICIENCY | |
| CURRENT LIABILITIES: | |
| Accounts payable and accrued expenses | \$ |
| | ----- |
| Total current liabilities | |
| | ----- |
| Total liabilities | |
| | ----- |
| COMMITMENTS AND CONTINGENCIES | |
| SHAREHOLDERS' DEFICIENCY: | |
| Common stock, \$.001 par value, 42,750,000 shares authorized 20,279,735 shares issued and outstanding | |
| Additional paid-in capital | |
| Accumulated deficit | (|
| | ----- |
| Total shareholders' deficiency | |
| | ----- |
| Total liabilities and shareholders' deficiency | \$ ===== |

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The accompanying notes are an integral part of these financial statements.

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

| | Three Months Ended June 30, | | Six Mo |
|---|-----------------------------|--------------|----------|
| | 2006 | 2005 | 2006 |
| | (Unaudited) | (Unaudited) | (Unaudit |
| Revenues, net | \$ 140,000 | \$ 120,000 | \$ 16 |
| Cost of goods sold | 60,209 | 34,000 | 6 |
| Gross Profit | 79,791 | 86,000 | 9 |
| Costs and expenses: | | | |
| General and administrative | 114,692 | 128,000 | 20 |
| Research and development | 135,428 | 209,000 | 28 |
| Total costs and expenses | 250,120 | 337,000 | 48 |
| Loss from operations | (170,329) | (251,000) | (38 |
| Other income (expenses) | | | |
| Gain on sale of equipment | - | 2,000 | |
| Total other income (expense) | - | 2,000 | |
| NET LOSS | \$ (170,329) | \$ (249,000) | \$ (38 |
| Weighted average number of common shares outstanding-basic & diluted | 20,128,346 | 18,279,323 | 19,87 |
| Basic and diluted loss per common share | \$ (0.01) | \$ (0.01) | \$ |

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The accompanying notes are an integral part of these financial statements.

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

| | For the Six Months En | |
|---|-----------------------|--------------|
| | 2006 | |
| | (Unaudited) | |
| Cash Flows From Operating Activities: | | |
| Net loss | \$ | (387,048) \$ |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation | | 294 |
| Gain on sale of equipment | | - |
| Common stock issued for services | | 40,000 |
| Amortization of deferred compensation | | - |
| Deferred compensation | | 53,437 |
| Changes in assets and liabilities: | | |
| Inventory | | (23,000) |
| Prepaid insurance | | (17,994) |
| Deferred costs | | - |
| Accounts payable and accrued expenses | | 123,239 |
| Deposits from customers | | - |
| Net cash used in operating activities | | (211,072) |
| 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 | | 288,000 |
| Net cash provided by financing activities | | 288,000 |
| Net increase in cash and cash equivalents | | 76,928 |
| Cash and cash equivalents, beginning of period | | 76,691 |
| Cash and cash equivalents, end of period | \$ | 153,619 \$ |
| Supplemental Disclosures | | |
| Cash paid during the year for interest | \$ | - \$ |
| Cash paid during the year for taxes | \$ | - \$ |
| Common stock issued for deferred consulting | \$ | - \$ |

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

The accompanying notes are an integral part of these 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, pre-treatment of wastewater at municipal wastewater (headworks) facilities, oil and water separation, and environmental cleanup.

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 - 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 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 June 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.

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 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.

During the three months ended June 30, 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.

Options

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

| | 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, June 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 June 30, 2006:

| Exercise Price | Number Outstanding at June 30, 2006 | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable at June 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 June 30, 2006 is as follows:

| | Number Outstanding | Range of Exercise Price | Number Exercisable |
|----------------------------|--------------------|-------------------------|--------------------|
| Balance, December 31, 2005 | 5,589,367 | \$0.75 - \$9.00 | |
| Issued | | | |
| Balance, March 31, 2006 | 5,589,367 | \$0.75 - \$9.00 | |
| Issued | | | |
| Balance, June 30, 2006 | 5,589,367 | \$0.75-\$9.00 | |

NOTE E - CONCENTRATION

Revenues

For the six months ended June 30, 2006, the Company generated over 90% of its revenues from one customer.

NOTE F - SUBSEQUENT EVENT

Subsequent to June 30, 2006, the Company sold 50,000 shares of common stock for \$.40 per share in a private placement offering. Total proceeds from the sale were \$20,000.

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 June 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 June 30, 2006 and 2005:

Revenue

Our revenues increased 17% to \$140,000 for the three months ended June 30, 2006 as compared to \$120,000 for the three months ended June 30, 2005. Revenues from both periods relate to the sales of Voraxial(R) Separator. 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 increasing revenues in 2006.

Research and Development Expenses

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Research and Development expenses decreased by 35% to \$135,427 for the three months ended June 30, 2006, as compared to \$209,000 for the previous three months ended June 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 June 30, 2006.

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General and Administrative Expenses

General and Administrative expenses decreased by 10% to \$114,694 for the three months ended June 30, 2006 down from \$128,000 for the three months ended June 30, 2005. The decrease was primarily due to a consolidation of activities. We continue to focus our efforts on marketing the Voraxial(R) Separator in the oil industry.

Results of Operations for the Six Months ended June 30, 2006 and 2005:

Revenue

Our revenues increased 35% to \$162,164 for the six months ended June 30, 2006 as compared to \$120,000 for the six months ended June 30, 2005. The increase in revenue was principally due to the sale 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 continue to result in increasing revenues in 2006.

Research and Development Expenses

Research and Development expenses decreased by 14% to \$281,124 for the six months ended June 30, 2006, as compared to \$328,000 for the previous six months ended June 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 six months ended June 30, 2006.

General and Administrative Expenses

General and Administrative expenses decreased by 20% to \$203,101 for the six months ended June 30, 2006 down from \$253,000 for the six months ended June 30, 2005. The decrease was primarily due to a consolidation of activities. We continue to focus our efforts on marketing of the Voraxial(R) Separator.

Liquidity and Capital Resources:

Cash at June 30, 2006 was \$153,619. Working capital deficit at June 30, 2006 was \$227,295 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 increase in accounts payable and accrued expenses of \$123,239. These amounts were partially offset by a \$76,928 increase in cash, an increase in inventory of \$23,000, and an increase in prepaid expenses of \$17,994.

At June 30, 2006 the Company had an accumulated deficit of \$6,269,053. 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 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.

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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

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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. Subsequent to the period covered by this report, the Company sold an aggregate of 50,000 shares of its common stock to an investor and received proceeds of \$20,000. Such proceeds will be used to fund working capital requirements.

The Company has expanded its sales and marketing efforts for produced water separation in the oil exploration and production market. During the six months ended June 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.

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.

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

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period covered by this report that have materially affected, or is likely to materially affect the Company's internal controls over financial reporting.

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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.

During the three month period ended June 30 2006, the Company received \$166,000 from six accredited investors that purchase an aggregate of 415,000 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 \$20,000 from an accredited investors that purchased an aggregate of 50,000 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.

Item 3. Default Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Securities

None.

Item 5. Other Information

None.

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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: August 11, 2006

