SEYCHELLE ENVIRONMENTAL TECHNOLOGIES INC /CA
Form 10QSB/A
February 26, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB/A
Amendment No. 1

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

For the quarterly period ending May 31, 2006

( ) TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______________ to __________________

Commission File No. 0-29373

Seychelle Environmental Technologies, Inc.
(Exact Name of registrant as specified in its charter)

Nevada (State or other jurisdiction Of incorporation)	33-0836954 (IRS Employer File Number)
33012 Calle Perfecto San Juan Capistrano, California (Address of principal executive offices)	92675 (zip code)

(949) 234-1999
(Registrant's telephone number, including area code)

Check whether the registrant filed all documents and reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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: __X_

State the number of shares outstanding of the Registrant's common stock, as of the latest practicable date, May 31, 2006, was 24,979,526.

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

Explanatory Note

This Current Report on Form 10-QSB/A is filed as an amendment (Amendment No. 1) to the Current Report on Form 10-QSB filed by Seychelle Environmental Technologies, Inc. on July 17, 2006.

As reported on Form 8-K, dated December 12, 2006,on December 5, 2006 the Company's Board of Directors, and the Company's independent registered public accounting firm, concluded that the Company's financial statements for the fiscal quarter ended May 31, 2006 and similar communications issued by the Company relating to periods commencing on March 1, 2006 should no longer be relied upon.

The Company became aware of certain errors in its previously filed financial statements in the course of responding to comments of the Securities and Exchange Commission resulting from their review of the Company's General Form for Registration of Securities on Form 10 and Quarterly Report on Form 10-QSB for the quarter ended May 31, 2006 and during the preparation of its financial statements in connection with its second quarter ended August 31, 2006.

On March 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share Based Payment*, ("FAS 123R") which establishes standards for the accounting of transactions in which an entity exchanges its equity instruments for goods or services. In connection with the Company recalculating its compensation expense under FAS 123R, it was determined that an incorrect volatility factor was previously utilized resulting in an approximate $100,000 understatement of expenses during the three-month period ended May 31, 2006.

During April 2006, the Company issued 50,000 common shares, subject to a one year restriction period, to shareholders of Continental Technologies, Inc. ("Continental') with an approximate value of $26,800 for the Redi Chlor brand name and trademark. As the purchase agreement provides the shareholders of Continental the right to sell the common shares back-to the Company, at Continental's sole option for a period of six months after the restriction period at $0.75 per share, the Company recorded a contingent liability for approximately $16,100. Previously, the Company had overstated the fair value of the patent by approximately $10,700 and recorded the estimated fair market value of the common shares, approximately $16,100, as an equity transaction.
Finally, as recommended by the SEC the company reclassified the California minimum franchise fee from provision for income taxes to a component of general and administrative expenses.

The following is a summary of the anticipated effects of these changes cited above on the condensed consolidated balance sheets as May 31, 2006 as well as the anticipated effects of these changes on the condensed consolidated statements of operations for the quarter then ended.

May 31, 2006

	Condensed Consolidated Balance Sheets		
	As Previously Reported	**Adjustments**	**As Restated**
Intangible assets	$ 44,128	$ (10,700)	$ 33,428
Total assets	1,255,545	(10,700)	1,244,845
Accrued expenses	224,968	5,400	230,368
Total liabilities	886,365	5,400	891,765
Additional paid in capital	5,530,113	(64,443)	5,465,670
Unearned compensation	(169,413)	169,413	-
Unearned interest	(287,753)	(23,067)	(310,820)
Accumulated deficit	(5,174,489)	(100,261)	(5,274,750)
Net (loss)	(216,555)	(101,688)	(318,243)
Net (loss) per share-basic and diluted	(0.01)	-	(0.01)
Total stockholders’ equity	369,180	(16,100)	353,080
Total liabilities and stockholders’ equity	$ 1,255,545	$ (10,700)	$ 1,244,845

For Quarter Ended May 31, 2006:

	Condensed Consolidated Statements of Operations		
	As Previously Reported	Adjustments	As Restated
Consulting fees to related parties	$ (35,000)	$ (21,860)	$ (56,860)
Total operating expenses	(203,429)	(23,460)	(226,889)
Net loss from operations	(144,948)	(23,460)	(168,408)
Interest expense to related parties	(75,582)	(79,828)	(155,410)
Total other income (expense)	(70,007)	(79,828)	(149,835)
Net loss before provision for income taxes	(214,955)	(103,288)	(318,243)
Provision for income taxes	(1,600)	1,600	-
Net loss	(216,555)	(101,688)	(318,243)
Net (loss) per share-basic and diluted	(0.01)	-	(0.01)

FORM 10-QSB
Securities and Exchange Commission
Washington, D.C. 20549

Seychelle Environmental Technology, Inc.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEET (UNAUDITED)

As of May 31, 2006

ASSETS

CURRENT ASSETS		
Cash	$	502,210
Trade receivables, net of allowance for doubtful accounts		48,802
of $-0- as of May 31, 2006		
Inventories, net		445,638
Prepaid expenses		58,359
Total current assets		1,055,009
PROPERTY AND EQUIPMENT, NET		149,666
INTANGIBLE ASSETS, NET		33,428
OTHER ASSETS		6,742
Total non-current assets		189,836
TOTAL ASSETS	$	1,244,845

See accompanying notes to consolidated financial statements.

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEET (UNAUDITED)
(CONTINUED)

As of May 31, 2006

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES		
Accounts payable	$	59,834
Accrued expenses		230,368
Line of credit		50,000
Accrued interest due to related parties		177,597
Customer deposits		2,816
Income taxes payable		8,000
Total current liabilities		528,615
NOTES PAYABLE TO RELATED PARTIES		363,150
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock $.001 par value - 50,000,000 shares authorized; 24,979,526 issued and outstanding		24,980
Additional paid-in capital		5,465,670
Estimated value of warrants		448,000
Accumulated deficit		(5,274,750)
Unearned interest		(310,820)
Total stockholders' equity		353,080
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	1,244,845

See accompanying notes to consolidated financial statements.

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

For Three-Month Periods Ending May 31,

	2006	2005
SALES	$ 169,875	$ 237,987
COST OF SALES	111,394	76,975
Gross profit	58,481	161,012
OPERATING EXPENSES		
Selling	19,035	23,475
General and administrative	150,994	133,895
Consulting fees to related parties	56,860	30,000
Total expenses	226,889	187,370
LOSS FROM OPERATIONS	(168,408)	(26,358)
OTHER INCOME (EXPENSES)		
Interest income	4,752	-
Interest expense to related parties	(155,410)	(53,753)
Miscellaneous income (expense)	823	(768)
Total other income (expense)	(149,835)	(54,521)
Net loss	$ (318,243)	$ (80,879)
BASIC AND DILUTED (LOSS) PER SHARE	$ (0.01)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES: BASIC AND DILUTED	22,126,033	14,027,909

See accompanying notes to consolidated financial statements

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the Three-Month Periods Ending May 31,

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (318,243)	$ (80,879)
Adjustments to reconcile net loss to net		
cash used in operating activities:		
Depreciation and amortization	7,124	7,005
Compensation and interest expense on stock and warrants	202,458	53,708
Contributed executive services	2,500	2,500
Provision for doubtful accounts	-	(2,047)
Return of shares due to failure to perform services	-	(32,500)
Changes in operating assets and liabilities:		
Trade receivables	(15,200)	(56,255)
Inventory	(53,997)	(18,660)
Prepaid expenses and other assets	(13,097)	(52,092)
Accounts payable	(1,177)	2,857
Accrued expenses	60,157	72,566
Accrued interest due to related parties	8,282	9,946
Customer deposits	(26,232)	25,574
Income tax payable	1,600	(1,997)
Net cash used in operating activities	(145,825)	(70,274)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tooling and equipment	(1,284)	(25,435)
Net cash used investing activities	(1,284)	(25,435)

See accompanying notes to consolidated financial statements.

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SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)(CONTINUED)

For the Three-Month Periods Ending May 31,

		2006		2005
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from sale of common stock	$	11,250	$	537,745
Proceeds from sale of equipment		2,500		-
Repayments on related party notes payable		-		(25,000)
Net cash provided by financing activities		13,750		512,745
NET (DECREASE) INCREASE IN CASH		(133,359)		417,036
Cash, beginning of period		635,569		23,782
Cash, end of period	$	502,210	$	440,818
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the year for:				
Interest	$	-	$	-
Income taxes	$	-	$	1,997
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Stock issued for settlement of debt	$	107,995	$	53,401
Stock issued for intellectual property	$	16,100	$	-
Stock issued for accrued interest	$	-	$	228,000
Return of shares due to non-performance of services	$	-	$	32,500

See accompanying notes to consolidated financial statements.

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF MAY 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Information

The unaudited consolidated condensed financial statements of Seychelle Environmental Technologies, Inc. (the "Company") for the three-month periods ended May 31, 2006 and May 31, 2005 have been prepared in conformity with the accounting principles described in the Company's Annual Report o Form 10-K for the fiscal year ended February 28, 2006 (the "Annual Report") and include all adjustments considered necessary by management for a fair statement of the interim periods. Such adjustments consist only of normal recurring items. This report should be read in conjunction with the Annual Report. Due to seasonality and other factors, interim results are not necessarily indicative of the results to be expected for the full year.

Adoption of Statement of Financial Accounting Standards No. 123(R)

On March 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share Based Payment*, (FAS 123(R)) which establishes standards for the accounting of transactions in which an entity exchanges its equity instruments for goods or services, primarily focusing on accounting for transactions where an entity obtains services in share based payment transactions. FAS 123(R) requires a public entity to measure the cost of services received in exchange for an award of equity instruments, including stock warrants, based on the grant date fair value of the award and to recognize it as compensation expense over the period required to provide service in exchange for the award, usually the vesting period. FAS 123(R) supersedes the Company's previous accounting under Accounting Principles Board Opinion No. 25, *Accounting for Stock Issues to Employees* (APB 25) for periods beginning in fiscal 2006. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 (SAB 107) relating to 123(R). The Company has applied the provisions of SAB 107 in its adoption of FAS 123(R).

The Company adopted FAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of March 1, 2006, the first day of the Company's fiscal year 2007. The Company's condensed consolidated financial statements as of and for the three-months ended May 31, 2006 reflect the impact of FAS 123(R). In accordance with the modified prospective transition method, the Company's condensed consolidated financial statements for the three-months ended May 31, 2005 have not been restated to reflect, and do not include, the impact of 123(R).

123(R) requires companies to estimate the fair value of share based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's condensed consolidated statement of operations. Prior to the adoption of FAS 123R, the Company accounted for stock based awards using the intrinsic value method in accordance with APB 25 as allowed under Statement of Financial Accounting Standards No. 123, *Accounting for Stock Based Compensation* (FAS 123). Under the intrinsic value method, no stock based compensation expense had been recognized in the Company's Condensed Consolidated Statement of Operations, other than as related to warrants or restricted common shares granted below the fair market value of the underlying stock at the date of grant.

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MAY 31, 2006

Stock based compensation expense recognized during the three-months ended May 31, 2006 is based on the value of the portion of share based payment awards that are ultimately expected to vest during the period. Stock based compensation expense recognized in the Company's condensed consolidated statement of operations for the three-months ended May 31, 2006 included compensation expense for share based payment awards granted prior to, but not yet vested as of February 28, 2006 based on the grant date fair value estimated in accordance with the pro forma provisions of 123R and compensation expense for the share based payment awards granted subsequent to February 28, 2006 based on the grant date fair value estimated in accordance with the provisions of FAS 123R. As stock based compensation expense recognized in the condensed consolidated statement of operations for the first three-months of fiscal 2007 has been based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. FAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. For the three-months ended May 31, 2006, the Company applied an estimated forfeiture rate of zero% for officer grants, as the vesting periods are complete as of December 1, 2006. As of the date of this filing, there were no warrants granted to non-officers of the Company and therefore, no forfeiture rate was utilized. The estimated vesting term of warrant grants for the three-months ended May 31, 2006 was 4.5 years for officer grants.

FAS 123(R) requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those warrants to be classified as financing cash flows. Due to the Company's loss position, there were no such tax benefits during the three-months ended May 31, 2006 and 2005. Prior to the adoption of FAS 123R, those benefits would have been reported as operating cash flows had the Company received any tax benefits related to stock warrant exercises.

The fair value of stock based awards is calculated using the Black Scholes option pricing model, even though this model was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which differ significantly from the Company's stock warrants. The Black Scholes model also requires subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. The risk free rate selected to value any particular grant is based on the United States Treasury's T-bill rate (3.5%). The expected volatility is based on the historical volatility of the Company's stock price. These factors could change in the future, affecting the determination of stock based compensation expense in future periods.

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MAY 31, 2006

The weighted average fair value of stock based compensation is based on the single option valuation approach. Forfeitures are estimated and it is assumed no dividends will be declared. The estimated fair value of stock based compensation awards is amortized using the straight line method over the vesting period of the warrants or restricted common shares, as such method is consistent with the officer's contractual obligation. The Company’s fair value calculations for stock based compensation awards for the three-months ended May 31, 2006 were based on the following assumptions:

Risk free interest rate	3.5%
Expected life	1.58 - 3.33
Expected volatility	235 - 323%
Expected dividends	None

The following table summarizes stock based compensation, consulting and interest costs related to stock warrants and restrictive common shares under FAS 123(R) for the three-months ended May 31, 2006, allocated as shown:

Consulting fees to related parties	$ 56,860
Interest expense to related parties	$155,410
Total stock and warrant based compensation expense	$212,270

For the three-months ended May 31, 2006, the amount of stock based compensation related to stock warrants was $42,789. For the three-months ended May 31, 2006, the amount of stock based compensation expense related to restricted common shares was $14,071.

For the three-months ended May 31, 2006, the amount of stock based interest related to stock warrants was $109,415. For the three-months ended May 31, 2006, the amount of stock based interest expense related to restricted common shares was $45,995.

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MAY 31, 2006

The Company's net loss for the three-months ended May 31, 2006 was $318,243. The Company's net loss for the three-months ended May 31, 2006 was $101,688 greater than it would have been if the Company had continued to account for share based compensation under APB 25. The Company's net loss per common share, basic and diluted, for the three-months ended May 31, 2006 was $0.01. The Company's net loss per common share, basic and diluted, for the three months ended November 30, 2006 was equal to what it would have been if the Company had continued to account for share based compensation under APB 25.

The summary of the warrant activity, relating to compensation and interest expense, during the three-months ended May 31, 2006 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at February 28, 2006	4,000,000	$ 0.225		
Granted	-	-		
Exercised	-	-		
Cancelled	-	-		
Outstanding at May 31, 2006	4,000,000	$ 0.225	2.75	$ 79,034
Vested or expected to vest at May 31, 2006	4,000,000	$ 0.225	2.75	-
Exercisable at May 31, 2006	2,680,000	$ 0.225	2.75	$ 79,034

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF MAY 31, 2006

The following table summarizes significant ranges of outstanding warrants accounted for under the provisions of SFAS 123(R) as of May 31, 2006:

	Warrants Outstanding			Warrants Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
$0.225	500,000	2.75	$ 0.225	335,000	$ 0.225
$0.225	500,000	2.75	$ 0.225	335,000	$ 0.225
$0.225	500,000	2.75	$ 0.225	335,000	$ 0.225
$0.225	250,000	2.75	$ 0.225	167,500	$ 0.225
$0.225	250,000	2.75	$ 0.225	167,500	$ 0.225
$0.225	2,000,000	2.75	$ 0.225	1,340,000	$ 0.225
	4,000,000	2.75	$ 0.225	2,680,000	$ 0.225

The per share weighted average fair value of warrants outstanding during the three-months ended May 31, 2006 and 2005 was $0.32 and $0.31, respectively.

There were no warrants exercised or exercisable during the three-months ended May 31, 2006 as all warrants granted to officers fully vest as December 1, 2006. As of May 31, 2006, total unrecognized adjusted compensation costs related to nonvested stock warrants for officers was approximately $85,600, which is expected to be recognized as an expense over the six-month period ending November 30, 2006. As of May 31, 2006, total unrecognized interest costs related to nonvested stock warrants was approximately $218,800, which is expected to be recognized as an expense over the six-month period ending November 30, 2006, as the warrants are fully vested as of December 1, 2006.

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF MAY 31, 2006

The summary of the restricted stock grants, relating to compensation and interest expense, during the three-months ended May 31, 2006 is as follows:

	Number of Shares
Nonvested Balance at March 1, 2006	915,187
Granted	-
Vested	-
Forfeited	-
Nonvested balance at May 31, 2006	915,187
Vested or expected to vest at May 31, 2006	2,768,445
Exercisable at May 31, 2006	1,853,258

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MAY 31, 2006

During the three-months ended May 31, 2005 and 2006, the following activity occurred:

	May 31, 2005	May 31, 2006
Stock awards granted	2,768,445	-
Weighted average grant - date fair value	$ 0.24	-

The per share weighted average fair value of restricted shares outstanding during the three-months ended May 31, 2006 and 2005 was $0.24 and $0.24, respectively.

There were 1,853,258 restricted common shares vested during the three-months ended May 31, 2006. As of May 31, 2006, there was $28,100 unrecognized adjusted compensation costs related to nonvested restricted common shares, which is expected to be recognized as an expense over the six-month period ending November 30, 2006, as all restricted shares are fully vested as of December 1, 2006. As of May 31, 2006, there was $92,000 unrecognized interest costs related to nonvested restricted common shares, which is expected to be recognized as an expense over the six-month period ending November 30, 2006, as all restricted common shares are fully vested as of December 1, 2006.

Prior to fiscal 2006, the weighted average fair value of stock based compensation was based on the single option valuation approach. Forfeitures were recognized as they occurred and it was assumed no dividends would be declared. The estimated fair value of stock based compensation awards was amortized using the straight-line method over the vesting period of the warrants.

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MAY 31, 2006

Pro forma results are as follows:

		Three months ended May 31, 2005
Net loss, as reported	$	(80,879)
Add: Stock based compensation and interest expense included in reported net loss		83,753
Deduct: Total stock based compensation and interest expense determined under the fair value based method for all awards		(212,270)
Net loss, pro-forma	$	(209,396)
Basic and diluted net loss per common share:		
As reported	$	(0.00)
Pro-forma	$	(0.01)

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SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MAY 31, 2006

NOTE 2: INVENTORY

The following is a summary of inventory as of May 31, 2006:

Raw materials	$ 181,007
Work in progress	33,464
Finished goods	310,956
	525,427
Reserve for obsolete or slow moving inventory	(79,789)
Net inventories	$ 445,638

Work in progress and finished goods inventory includes material, labor and manufacturing overhead costs.

NOTE 3: PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at May 31, 2006:

Tooling	$ 285,695
Equipment	36,652
Vehicles	10,000
Furniture and fixtures	15,465
Computer equipment	14,802
Leasehold equipment	1,000
	363,614
Less: accumulated depreciation and amortization	213,948
	$ 149,666

Total depreciation expense for the three-month periods ended May 31, 2006 and 2005, respectively, was approximately $6,800.

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MAY 31, 2006

NOTE 4: INTANGIBLE ASSETS

The following is a summary of intangible assets at May 31, 2006:

Redi Chlor brand name and trademark	$	16,100
Hand pump		8,000
Patents		17,622
		41,722
Less: Accumulated amortization		8,294
	$	33,428

The estimated future amortization expense is approximately $1,200 per year.

During April 2006, the Company issued 50,000 common shares, subject to a one-year restriction period, to shareholders of Continental Technologies, Inc. ("Continental') with an approximate value of $16,100 for the Redi Chlor brand name and trademark. The agreement further agrees to remit Continental a ten percent commission on net sales as defined of the existing product, or any new products sold directly by Seychelle, and ten percent on any product sold by Continental for Seychelle to their existing or new customers at Seychelle's OEM prices. The agreement has an indefinite life and therefore, the Company does not amortize the value of the agreement but does evaluate the value on a periodic basis for impairment.

NOTE 5: ACCRUED EXPENSES

Accrued expenses consist of the following at May 31, 2006:

Accrued legal expenses	$	129,398
Accrued accounting expenses		48,082
Accrued claim settlement		12,750
Accrued commissions		10,905
Accrual for stock purchase (Continental Technologies)		16,100
Accrued credit card purchases		9,824
Other accrued expenses		3,309
	$	230,368

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MAY 31, 2006

NOTE 5: ACCRUED EXPENSES, continued

During April 2006, the Company issued 50,000 common shares, subject to a one-year restriction period, to shareholders of Continental Technologies, Inc. ("Continental') with an approximate value of $16,100 for the Redi Chlor brand name and trademark. As the purchase agreement provides the shareholders of Continental the right to sell the common shares back-to the Company, at Continental's sole option for a period of six months after the maturity date at $0.75 per share, the Company recorded a liability for approximately $16,100 (see Notes 4 and 7).

NOTE 6: LINES OF CREDIT

The Company has one line of credit agreement, totaling $100,000. The line of credit bears interest at the institutions index rate (7.5% at May 31, 2006) plus two percent and are not repayable until March 31, 2007.

NOTE 7: CAPITAL STRUCTURE

Common Stock

During the three-month period ended May 31, 2006, the Company issued an aggregate of 50,000 common shares to various investors for cash for an approximate total value of $11,250.

During the three-month period ending May 31, 2006, the Company issued 50,000 common shares to shareholders of Continental Technologies, Inc. ("Continental') with an approximate value of $16,100 for intellectual property (see Note 4). As the purchase agreement provides the shareholders of Continental the ability to sell the common shares after one year back-to the Company, the Company recorded a liability for approximately $16,100 (see Notes 4 and 5).

During the three-month period ended May 31, 2006, the Company issued an aggregate of 214,516 restricted shares to three debt holders with an approximate total value of $108,000.

Warrants

A summary of warrant activity is as follows:

Outstanding warrants	Warrants Outstanding	Exercise Price	
Balance, March 1, 2006	6,000,000	$	0.225
Granted	0		0
Exercised	0		0
Canceled	0		0
Balance, May 31, 2006	6,000,000	$	0.225

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MAY 31, 2006

NOTE 8: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS
As reported on Form 8-K, dated December 12, 2006, the Company became aware of the following errors in its previously filed financial statements on Form 10-QSB for the quarter ended May 31, 2006-

1) The Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share Based Payment, ("FAS 123R"). In connection with the Company recalculating its compensation expense under FAS 123R, it was determined that an incorrect volatility factor was previously utilized resulting in an approximate $100,000 understatement of expenses during the three-month period ended May 31, 2006.

2) During April 2006, the Company issued 50,000 common shares, subject to a one year restriction period, to shareholders of Continental Technologies, Inc. ("Continental'). As the purchase agreement provides the shareholders of Continental the right to sell the common shares back-to the Company, the Company recorded a contingent liability for approximately $16,100. Previously, the Company had overstated the fair value of the patent by approximately $10,700 and recorded the estimated fair market value of the common shares, approximately $16,100, as an equity transaction.

3) Company reclassified the California minimum franchise fee from income taxes to a component of general and administrative expenses.

The following is a summary of the effects of these changes cited above on the condensed consolidated balance sheets as May 31, 2006 as well as the effects of these changes on the condensed consolidated statements of operations for the quarter then ended.

May 31, 2006

Condensed Consolidated Balance Sheets

	As previously reported	Adjustments	Restated
Total assets	$ 1,255,545	(10,700)	$ 1,244,845
Total liabilities	886,365	5,400	891,765
Total stockholder's equity	369,180	(16,100)	353,080
Total liabilities & stockholder's equity	1,255,545	(10,700)	1,244,845

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MAY 31, 2006

Condensed Consolidated Statements of Operations

	As previously reported	Adjustments	Restated
Sales	$ 169,875	-	$ 169,875
Cost of sales	(111,394)	-	(111,394)
Gross profit	58,481	-	58,481
Operating expenses	(203,429)	(23,460)	(226,889)
Net loss from operations	(144,948)	(23,460)	(168,408)
Total other income (expense)	(70,007)	(79,828)	(149,835)
Net loss before income taxes	(214,955)	(103,288)	(318,243)
Income taxes	(1,600)	1,600	-
Net loss	(216,555)	(101,688)	(318,243)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OR OPERATIONS

The following discussion contains forward-looking statements regarding our Company, its business, prospects and results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause our actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that may affect such forward-looking statements include, without limitation: our ability to successfully develop new products for new markets, the impact of competition on our revenues, changes in law or regulatory requirements that adversely affect or preclude customers from using our products for certain applications, delays in our introduction of new products or services, and our failure to keep pace with emerging technologies.

When used in this discussion, words such as "believes," "anticipates," "expects," "intends" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by us in this document and other reports filed with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business

Description of the Business.

(a) Business Development

History of Seychelle

We are a Nevada corporation. Our principal business address is 33012 Calle Perfecto, San Juan Capistrano, California 92675. Our telephone number at this address is 949-234-1999.

We were incorporated under the laws of the State of Nevada on January 23, 1998 as a change of domicile of Royal Net, Inc., a Utah corporation that was originally incorporated on January 24, 1986. Royal Net, Inc. changed its state of domicile to Nevada and its name to Seychelle Environmental Technologies, Inc. effective in January 1998.

On January 30, 1998, we entered into an Exchange Agreement with Seychelle Water Technologies, Inc., a Nevada corporation ("SWT"), whereby we exchanged our issued and outstanding capital shares with the shareholders of SWT on a one share for one share basis. We became the parent company and SWT became a wholly owned subsidiary. SWT had been formed in 1997 to market water filtration systems of Aqua Vision International.

On January 31, 1998, we entered into a Purchase Agreement to acquire all of the assets of Aqua Vision International, a private California entity. This Purchase Agreement was amended on February 26, 1999 to provide for the issuance of 8,000 shares of Series "AAA" Cumulative Convertible Preferred Voting Stock in lieu of all consideration that had remained unpaid under the original Purchase Agreement. Aqua Vision International had been in operation since 1995 to develop, manufacture, and market its own proprietary water filtration systems.

Organization

Our Company is presently comprised of Seychelle Environmental Technologies, Inc., a Nevada corporation, with one subsidiary, Seychelle Water Technologies, Inc., also a Nevada corporation. We use the trade name, "Seychelle Water

Filtration Products, Inc.," in our commercial operations.

(b) <u>Business of Seychelle</u>

General

Seychelle designs and manufactures unique, state-of-the-art Ionic Adsorption Micron Filters that remove up to 99.8% of all pollutants and contaminants found in any fresh water source. Using breakthrough technology, Seychelle has also developed proprietary ozone systems. Patents or trade secrets cover all proprietary products. Since human bodies are 75% water and our mission is twofold: First, to help educate everyone to the fact that the quality of water they drink is important and second, to make available low-cost, effective filtration products that will meet the need for safe, great tasting, high quality drinking water.

Seychelle has sold over 2 million portable water filtration bottles throughout the world to customers such as individuals, dealers, and distributors - and to governments, military, agencies and emergency relief organizations such as the US Marine Corps, the International Red Cross, Eco-Challenge, Kenya Wild Life Service, La Cruz Roja de Mexico and the NY Institute for the Blind. In addition, the company has donated thousands of portable bottles to church groups and missionaries worldwide including the recent disaster in New Orleans. Seychelle's products are approved for sale and distribution in many countries including the US, Mexico, Brazil, Argentina, Venezuela, Japan, China, Korea, India, Pakistan, Australia, UK, New Zealand, Malaysia, Indonesia and South Africa.

According to an article in the May 15, 2000 edition of Fortune magazine, the value of the world water market is $400 billion annually. Bottled water, according to Water Facts, has emerged as the second largest commercial beverage category by volume in the US. However, Seychelle products compete in a more limited market: the portable and home filtration products segments. The US household water filtration market was estimated by Enviroscrub Technology, in March 2004, to be $500 million in size, growing at 10 percent annually.

In developing countries, many people in rural areas boil their water for drinking and cooking to kill bacteria, but this process does not remove the pyrogens, chemicals, toxins, volatile organisms, heavy metals and other pathogens that remain in the water. In Africa alone, according to Earth Prayers From Around the World, approximately 6,000 people die every day because of water borne diseases.

Business Plan

The management of Seychelle represents over 35 years of combined experience in developing improvements and innovations in the field of micron technology. As a result, our products can deliver up to .2-micron filtration, at pennies per gallon, with pressure as low as 5 pounds per square inch. Further, our point of difference filtration systems remove up to 99.8% of all known pollutants and contaminants most commonalty found in fresh drinking water supplies in the four major areas of concern as follows:

AESTHETICS: Taste, odor, chlorine, sand, sediment and odor problems.
BIOLOGICS: Pathogens such as Cryptosporidium, Giardia and E-Coli bacteria.
CHEMICALS: Pesticides, detergents, toxic chemicals and industrial waste.
DISSOLVED SOLIDS: Heavy metals such as aluminum, asbestos, copper, lead, mercury and radon 222.

Seychelle filters have been tested by independent and government laboratories throughout the world and are approved for sale and distribution in the following countries: United States, Mexico, United Kingdom, Korea, Malaysia Indonesia, Japan, China, Vietnam, New Zeeland, Australia, Brazil, Venezuela, Argentina, South Africa, and Pakistan. In the United States, Seychelle filters have been certified by California and Florida approved independent laboratories implementing Environmental Protection Agency, American National Standards Institute, and National Sanitation Foundation protocol, procedures, standards and methodology. Importantly, we offer a test pack for potential customers that include the test results from selected countries. In addition, results from the United States, United Kingdom and South Africa are displayed on our Website: www.seychelle.com.

To our knowledge, no other water filtration system can achieve this level of removal of up to 99.8% of all known pollutants and contaminants most commonly found in fresh drinking water supplies in the four major areas of concern. The benefit of such filtration can save lives worldwide as awareness of Seychelle's product line increases and is used.

Principal Products or Services and their Markets

Portables Products

Seychelle has a varied line of portable filters for people on the go. They include Flip Top's, Bottom's Up's and varied military style canteens - regular or with silverators (for further bacteria control). Sizes are from 18oz to 30oz, and provide up to 100 gallons of pure drinking water from any fresh water source, running or stagnant (such as rivers, lakes, ponds, streams and puddles).

The current portable products include: Flip-Top, Survivor, Canteen, Bottoms UP, In-Line Eliminator, Pure Water Bag, Pump n' Pure, Facial Mist and replacement filters.

Home Products

Seychelle technology has developed products for above the counter, below the counter, and to filter the whole house. Installation is easy, and unlike reverse osmosis (RO), only a low PSI input line is needed. No water is wasted in the filtration process. Seychelle also makes a variety of shower filters.

The current home products include: Deluxe Shower, Handheld Shower, Royal Shower Wall Mount, Royal Shower Handheld, P.O.U. Countertop, P.O.E., Total Home and all replacement filters, and feature technology developed for portable products.

New Products

We have re-engineered the Flip Top bottle to eliminate parts, reduce costs, provide a more streamlined look, and add a disinfectant capability. The Counter Top has been upgraded to provide more enhanced filter media, including media to reduce arsenic, to improve the taste and quality of drinking water. Finally, the In-Line Filter is being changed to provide greater filter media, and meet field conditions that require a longer, narrower design.

We signed a License Agreement with Gary Hess, doing business as Aqua Gear USA on June 6, 2002 for a product known as the "Hand Held Pump Technology." We licensed all proprietary rights associated with this technology. We will pay a 2% royalty on our gross income for the technology during the term of the license. The License Agreement is for an initial term of five years, with five successive five-year renewals. This offers us an additional proprietary product in the portable filtration industry. We believe that this purchase compliments our current product line. As of the date of this filing, this technology has resulted in a product called Pump N' Pure which allows the user to draw filtered water from virtually any container or location. The Company continues to believe that the product will be viable in developing countries as an emergency preparedness product, and for families where cost is a prime consideration. The Company plans to start marketing the Hand Held Pump as part of its Aqua Gear product line in the US sporting goods industry in 2007.

During April 2006, the Company issued 50,000 common shares to shareholders of Continental Technologies, Inc. with an approximate value of $16,100 for the Redi Chlor brand name, trademark and the use of the EPA Registration Number 55304-4-7126. As of the date of this filing, the Company has commenced its plans to sell the Redi Chlor brand name water chlorine tablets to consumers, dealers, distributors and manufactures. Each tablet disinfects five gallons of source water. The agreement further agrees to remit Continental a ten percent commission on net sales as defined of the existing product, or any new products sold directly by us, and ten percent on any product sold by Continental for us to their existing or new customers at our OEM prices. The agreement is of the life of Seychelle.

Manufacturing

The Company has determined that we will be able to produce some of our product components in China at a lower cost than what could be made in the US. Importantly, the filter continues to be manufactured in the US. The final assembly of our products is completed at our facility in San Juan Capistrano.

In China the original manufacturing agreement with Heibei RO Environmental Technologies expired and was not renewed. Instead, we signed an exclusive joint venture agreement with Huanghua Seychelle Plastic Co., Ltd on September 1, 2005.

Distribution Methods of the Products

Sales channels to be pursued will include: Retail, Military, Government, Multi-Level Marketing, International, OEM and Joint Ventures.

Seychelle has signed product distribution agreements with Confident, Inc. for China, Taiwan, Hong Kong and Singapore and with ABMS Health Care for India and are exploring opportunities in other countries.

In Japan, Vortex represents Seychelle as a non-exclusive distributor selling our product line to dealers, distributors and retail stores.

During August 2006, the Company signed an agreement with Food for Health, Inc. a manufacturer and marketer of nutritional food and vitamin products, to sell certain water filtration products, using the Aqua Gear brand name, to a variety of their customers including big-box stores in the US and Canada. As of the date of filing, Food for Health, Inc. has ordered 100,000 bottles.

Separately, Food for Health contracted with the Company to source varied products (such as pots, radios, utensils, blankets, etc.) made in China for their Emergency Preparedness packs to be sold to their customers. These products will be shipped directly to Food for Health from China. As of date of this filing, Food For Health has ordered approximately $628,000 in products from China.

We will also continue to promote our products and technologies to non-profit organizations, such as the Red Cross, the U.S. and international militaries, missionaries, charitable and fund-raising groups and other philanthropic organizations.

Management's Discussion and Analysis

Results of Operations

Three-month period ending May 31, 2006 compared to the corresponding period in 2005.

Selected Financial Data		2005		2006		Year Over Year Change%	
Sales	$	237,987	$	169,875		($ 68,112)	(29)
Cost of sales	$	76,975	$	111,394	$	34,419	45
Gross profit	$	161,012	$	58,481		($102,531)	(64)
Gross profit percentage		68%		34%		(34%)	(50)
General & administrative expenses	$	133,895	$	150,994	$	17,099	13
Consulting fees to related parties	$	30,000	$	56,860	$	26,860	90
Interest expense to related parties	$	53,753	$	155,410	$	101,657	189
Net cash used in operating activities		($70,274)		($145,825)	$	(75,551)	(108)
Net cash used in investing activities		($25,435)		($1,283)	$	24,152	95
Net cash provided financing activities	$	512,745	$	13,750		($498,995)	(97)

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Sales. The decrease in sales is primarily attributable to decreased sales with two customers - approximately $59K sales to Wellness Enterprises and $70K to BK Pakistan. This decrease in sales was partially offset by the Company entering into a five (5) year exclusive distribution agreement with Confident, Inc. to sell its water filtration products in the markets of The Peoples Republic of China, Taiwan, Singapore and Hong Kong. During the three-month period ending May 31, 2006, total sales to Confident, Inc. and its affiliated entities approximated $30,000. Additionally, the Company increased sales with Healthy Directions LLC (from $7K in 2005 to $21K in 2006), Vortex Ltd. (from nil in 2005 to $9K in 2006) and Blackhawk Industries (from $1K in 2005 to $13K in 2006). In the fall of 2006, the Company will be launching several new products that have undergone the extensive research and development, design, tooling and production steps required for commercialization prior to introduction. This was made possible by the exclusive plastic manufacturing agreement signed with Huanghua Seychelle Plastic Co., Ltd. in China. Also, the Company is preparing a disaster-preparedness order with one of the new products for a test market by a vendor of a major retailer. Overall, the Company sold approximately 11,400 bottles during both the nine months ending November 30, 2006 and 2005, respectively. The Company's sale of countertops to BK Pakistan was a one-time transaction. Overall, the Company sold approximately 11,400 bottles during both the nine months ending November 30, 2006 and 2005, respectively. The Company's sale of countertops to BK Pakistan was a one-time transaction.

Cost of sales and gross profit. The decrease in gross profit is primarily due to a change in sales mix, as the gross profit for sales to Wellness Enterprises and BK Pakistan approximated $105K during the three-month period ending May 31, 2005. The new products noted above have higher gross margins levels and will improve the overall gross profit as the products achieve significant sales levels.

General & administrative expenses. The increase in general & administrative expenses was primarily to increased legal fees (from $8K in 2005 to $15K in 2006) and the reduction in prior year consulting expenses of $33K as a consultant surrendered to the Company 250,000 restricted common shares due to his non-performance of certain contractual obligations. This increase in general and administrative expenses was partially offset by a decrease in outside accounting assistance (from $88K in 2005 to $63K in 2006) as the Company incurred such costs to catch up on SEC filings at the beginning of the prior year.

Consulting fees to related parties. The increase in consulting fees was due to warrants issued to Messrs. Richard Parsons and Jim Place, during July 2005, redeemable into restricted shares of the Company's stock at $.225 per share. As the warrants provide for the purchase of common stock at below the Company's market price on the date of grant, the Company recorded unearned compensation relating to the estimated value of these warrants and is amortizing the beneficial conversion feature over the life of the warrants. Additionally, as previously noted, on March 1, 2006 such fees increased due to the adoption of SFAS 123R.

Interest expense to related parties. The increase in interest expense was primarily due to the amortization of the beneficial conversion feature of the warrants issued to the TAM Trust during July 2005. The Company has recorded interest expense of approximately $22,500 related to amortization of the July 2005 warrants for the three-month period ending May 31, 2006. Additionally, as previously noted, on March 1, 2006 such fees increased due to the adoption of SFAS 123R.

Net loss. Even though profits for the three-month period ending May 31, 2006 were negative by $318K, $78K in accounting and legal fees to assist in the audit and preparation of the Form 10 and other SEC filings, in addition to, $155K in financing costs with TAM the primary lender, the amortization of $56K in officer stock compensation were the primary reasons for the result.

Net cash used in operating activities. During the three-month period ending May 31, 2006, the Company funded its operations through funds previously obtained by sale of restricted common stock. During the three-month period ending May 31, 2006, the net loss from operations of $318K was offset by $213K non-cash expenditures. These non-cash expenses primarily relate to $155K in financing costs and the amortization of $56K in officer stock compensation.

Net cash used in investing activities. The 2005 increase in cash used by investment activities was primarily due to the purchase of $25K in equipment and tooling.

Net cash used in financing activities. The 2005 cash provided by financing activities was due to the sale of $537K in restricted common stock, which was partially reduced by $25K repayment of related party advances.

Liquidity and capital resources.

As of May 31, 2006, the Company had $502,210 in cash and $50,000 available borrowing under its line of credit. The line of credit does not contain any limitations on borrowing or any restrictive debt covenants. Over the next twelve months, management is confident that sufficient working capital will be obtained from a combination of revenues and external financing to meet the Company's liabilities and commitments as they become payable.

The Company currently estimates monthly cash requirements of $36,000 to cover general and administrative overhead costs.

Consequently, we do not foresee the need for additional funding at least for the period ending May 31, 2007. As of the date of this filing, the TAM Irrevocable Trust has expressed a willingness to provide additional funding if required; however, an amount has not been discussed. Moreover, in the foreseeable future the Company does not believe additional funding is required.

Critical Accounting Policies and Estimates

Our financial statements and accompanying notes are prepared in accordance with U.S. GAAP. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Critical accounting policies for us include revenue recognition, impairment of goodwill and other intangible assets, accounting for transactions which potentially could be settled in a company's own stock, accounting for legal contingencies, accounting for income taxes, and accounting for stock-based compensation.

Goodwill and Other Intangible Assets

SFAS No. 142, *Goodwill and Other Intangible Assets,* requires that intangible assets be tested for impairment on an annual basis (March 1 for us) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators or competition.. Application of the impairment test requires judgment, including the determination of the fair value of each intangible asset. The fair value of each intangible asset is estimated using a discounted cash flow methodology. This requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, the useful life over which cash flows will occur, and determination of our weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or impairment for each intangible asset.

Transactions Potentially Settled in a Company's Own Stock

EITF #00-19 establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments.

Additionally, the EITF #00-19 is based on the concept that contracts that require net-cash settlement are assets / liabilities and contracts that require settlement in shares are equity instruments. These contracts may be settled in a variety of methods.

Contracts that include any provision that could require net-cash settlement cannot be accounted for as equity of the company. Company management believes the warrants issued by the Company would be classified as a physical settlement as the buyer pay a predetermined price for a fixed number of shares, therefore, no net-cash settlement is required and classification as equity is appropriate. Additionally, the company believes that all other conditions required by EITF 00-19 have been met to be classified as equity.

Income Taxes

SFAS No. 109, *Accounting for Income Taxes,* establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Variations in the actual outcome of these future tax consequences could materially impact our financial position, results of operations, or cash flows. Accruals for tax contingencies are provided for in accordance with the requirements of SFAS No. 5.

Share Based Compensation

We account for stock-based compensation in accordance with SFAS No. 123(R), *Share-Based Payment.* Under the fair value recognition provisions of this statement, share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating expected dividends. In addition, judgment is also required in estimating the amount of share-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially impacted.

ITEM 3. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), an evaluation was carried out by the Company's President and Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-14(c) and 15d-14(c) under the Exchange Act) as of the end of the quarter ended May 31, 2006. For the quarter ended May 31, 2006, management has concluded that the Company's disclosure controls are not effective. Management has continued the process of formal remediation and hopes to soon conclude that the Company's disclosure controls are effective.

Changes in Internal Controls

We previously reported in Item 8A- "Controls and Procedures" in our annual report on Form 10-KSB for the year ended February 28, 2006, material weaknesses in internal controls. Specifically, the Company concluded that their disclosure controls and procedures were not effective in ensuring that all information required to be disclosed in reports to be filed or submitted under the Exchange Act were available within the time periods specified. Additionally, the Company’s management concluded that as of February 28, 2006, the Company had not timely reconciled various accounts including inventory, fixed assets, accrued liabilities and other accounts, and were required to make adjustments during the audit process. These aforementioned control deficiencies could result in a misstatement of the Company’s accounts, presentation and disclosure that may not be prevented or detected.

During the preparation, review, presentation, and disclosure of amounts included in the Company's financial statements included in its Form 10QSB filing for second quarter ended August 31, 2006, Company management concluded that although accounts were being reconciled on a timelier basis, controls surrounding the accumulation and valuation of inventory and molds maintained at vendor facilities continue to require improvement. In addition, during the preparation of the Form 10-QSB for the second quarter, and as a result of responding to certain Securities and Exchange Commission comments on the Company's form 10-SB, the Company determined, as disclosed in this amended Form 10-QSB, that it was not applying appropriate accounting principles with respect to transactions in which an entity exchanges its equity instruments for goods or services (Statement of Financial Accounting Standards No. 123R, Share-Based Payments) and was required to make adjustments during the review process for both valuation and presentation. In addition, the Company overstated the value of an intangible asset and was not properly classifying the contingent liability for the repurchase of common shares from Continental Technologies, Inc. On December 12, 2006, the company reported in Form 8-K these events, and management concluded at the time that the Company's controls related to financial statement preparation and disclosure controls were not effective.

For the quarter ended November 30, 2006, SYEV management concluded that the Company's disclosure controls were still not effective. However, during the fiscal quarter, the Company promoted an accounting assistant to become the new internal accountant and conducted a thorough review of its internal controls and procedures. Specifically, the Company has examined and is in the process of updating its inventory controls and account reconciliation procedures. The Company has established guidelines for the issuance of securities under its stock-based compensation programs. In addition, the Company is reviewing its financial statement preparation procedures and is in the process of setting standards and goals for timely reporting of quarterly and annual reports.

As a result of the above, the Company was not able to timely report its regulatory filings. These control deficiencies could result in a misstatement of the Company's accounts that would result in a material misstatement to the Company's presentation and disclosure that would not be prevented or detected. Accordingly, management has concluded that these deficiencies constitute a material weakness. Therefore, management will continue to monitor and assess these control procedures to ascertain if the material weakness described above has been remedied.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

During May 2001, Seychelle Water Technologies, Inc. was named and served with a lawsuit originally filed by SafeWater Anywhere, Inc. and John Ferguson as plaintiffs. This lawsuit was filed in State Superior Court in Orange County, California. Mr. Carl Palmer was also named as a defendant. The complaint alleged breach of fiduciary duty, constructive fraud, promissory fraud, rescission, constructive trusts, unfair trade practices, and conversion, and sought unspecified damages and injunctive relief. The original suit was dismissed upon motion of the defendants, but was subsequently re-filed by John M. Ferguson individually on or about October 13, 2004. The re-filed suit was again brought against Seychelle Water Technologies, Inc. and Carl Palmer, and again alleges breach of fiduciary duty, constructive fraud, promissory fraud, rescission, constructive trust, unfair trade practices, and conversion, and seeks unspecified damages and injunctive relief. Plaintiff essentially alleges that defendants Seychelle Water Technologies, Inc. (hereafter "Seychelle Water") and Carl Palmer fraudulently induced plaintiff to enter into an agreement to relinquish 4,000,000 shares of the stock of defendant Seychelle Water. Plaintiff alleges that he originally entered into a joint venture and stock subscription agreement with DuSean Berkich ("Berkich"), pursuant to which Berkich and plaintiff formed and controlled Seychelle Water. Plaintiff alleges that when he discovered certain improprieties by Berkich, he became concerned, and ultimately agreed to the (re)purchase by Berkich of his interest in the Seychelle Water stock. Plaintiff is now suing to recover damages he allegedly suffered as a result of the (re)purchase by Berkich of his interest in Seychelle Water. A demurrer to the re-filed complaint was filed and in response a first amended complaint was filed and served. A second demurrer to the First Amended Complaint has been filed and sustained by the Court, and plaintiff has been granted fourteen days leave to amend. A second amended complaint has now been filed and answered. As of the filing of this document, the lawsuit has been settled for 5,000 restricted shares of common stock and dismissal is pending

As of May 31, 2006, we know of no legal proceedings pending or threatened or judgments entered against any of our directors or officers in his or her capacity as such.

ITEM 2. CHANGES IN SECURITIES

During the three-month period ended May 31, 2006, the Company issued an aggregate of 50,000 common shares to various investors for cash for an approximate total value of $11,250.

Date Issued	Issue to	Common Shares	Stock Estimated value
March 16, 2006	B. Clark	10,000	$ 2,250
March 16, 2006	C. Yris	10,000	$ 2,250
March 16, 2006	J. Condon	10,000	$ 2,250
March 16, 2006	J. Oppat	10,000	$ 2,250
March 16, 2006	J. Westwood	10,000	$ 2,250

During the three-month period ending May 31, 2006, the Company issued 50,000 common shares to shareholders of Continental Technologies, Inc. ("Continental') with an approximate value of $16,100 for intellectual property.

During the three-month period ended May 31, 2006, the Company issued an aggregate of 165,516 restricted shares to three debt holders with an approximate total value of $108,000.

Date Issued	Issue to	Type of Liability	Common Shares	Stock Estimated value
March 29, 2006	Wong Johnson & Associates, APC	Accrued accounting fees	25,000	$ 65,470
April 10, 2006	Phil Englund	Accrued legal fees	65,516	$ 5,000
April 26, 2006	Horn & Loomis	Accrued legal fees	75,000	$ 37,500

In each if these issuances, the Company relied on exemptions provided by Section 4(2) of the Securities Act of 1933, as amended. The Company made these offerings based on the following factors: (1) the issuance was an isolated private transaction by the Company which did not involve a public offering; (2) there was only one offeree in each issuance; (3) the offerees did not resell the stock but continue to hold it until the present; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations for the sale of the stock took place directly between the offerees and the Company.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS OF A VOTE TO SECURITY HOLDERS_

We did not submit any matter to a vote of security holders through solicitation of proxies during the first quarter of the fiscal year covered by this report.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS AND REPORTS IN FORM 8-K

(a) Exhibits

31.1* Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002)

31.2* Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002)

32.1* Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C.ss.1350 Section 906 of the Sarbanes-Oxley Act of 2002)

32.2* Certification of the Chief Financial Officer pursuant to 18 U.S.C.ss.1350 Section 906 of the Sarbanes-Oxley Act of 2002)

*** Previously filed with the Securities and Exchange Commission as indicated and incorporated by reference herein**

(b) Reports on Form 8-K

None.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act OF 1934, the Registrant has duly caused this Amendment No. 1 to be signed on its behalf by the undersigned, thereunto duly authorized.

Seychelle Environmental Technologies, Inc.

Date: February 23, 2007

By: /s/ Carl Palmer

Carl Palmer
Director, Chief Executive Officer and
President

Date: February 23, 2007

By: /s/ Jim Place

Jim Place
Director and Chief Financial Officer
and Chief Operating Officer