SEYCHELLE ENVIRONMENTAL TECHNOLOGIES INC /CA
Form 10-Q
January 13, 2009

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

FORM 10-Q

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

For the quarterly period ending November 30, 2008

( ) 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 issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer,” and “small reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer []	Accelerated filer []
Non-accelerated filer [] (Do not check if a smaller reporting company)	Smaller reporting company [X]

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

The number of shares outstanding of the Registrant's common stock, as of November 30, 2008 was 25,800,146. Moreover, the aggregate market value of the voting stock of the Registrant held by non-affiliates as of January 9, 2009 was approximately $2,200,000.

References in this document to "us," "we," “Seychelle,” “SYEV,” or "the Company" refer to Seychelle Environmental Technologies, Inc., its predecessor and its subsidiary.

FORM 10-Q

Securities and Exchange Commission
Washington, D.C. 20549

Seychelle Environmental Technology, Inc.

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PART I

ITEM 1. FINANCIAL STATEMENTS

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of	
ASSETS	11/30/2008 (UNAUDITED)	2/29/2008 (AUDITED)
Current assets:		
Cash and cash equivalents	$ 195,270	19,851
Accounts receivable, net of allowance for doubtful accounts of $4,986	72,929	20,709
Inventory, net	298,674	383,372
Prepaid expenses and other current assets	156,687	23,386
Asset held for sale	-	149,111
Total current assets	723,560	596,429
Property and equipment, net	127,002	112,095
Intangible assets, net	18,231	23,468
Other assets	6,624	6,624
Total assets	$ 875,417	738,616
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	$ 117,717	133,356
Customer deposits	150,446	66,951
Accrued interest due to related party	237,608	221,170
Notes payable	129,233	258,446
Total current liabilities	635,004	679,923
Long-term related party notes payable	471,088	396,088
Total liabilities	1,106,092	1,076,011
Stockholders' deficit:		
Preferred stock, $0.000 par value, 6,000,000 shares authorized, none issued or outstanding , respectively	-	
Common stock $0.001 par value, 50,000,000 shares authorized, 25,800,146 (November 30, 2008) and 25,613,670 (November 30, 2007)issued and outstanding, respectively	25,800	25,614
Additional paid-in capital	6,894,727	6,322,685
Accumulated deficit	(7,151,202)	(6,685,694)
Total stockholders' deficit	(230,675)	(337,395)

Total liabilities and stockholders' deficit	$	875,417	738,616

See accompanying notes to condensed consolidated financial statements.

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

	For The Nine-Month Periods Ended November 30, 2008	For The Nine-Month Periods Ended November 30, 2007
Revenues	$ 908,621	$ 725,656
Cost of sales	523,238	344,929
Gross profit	385,383	380,727
Operating Expenses:		
Selling and marketing expenses	58,535	51,377
General and administrative expenses	424,275	578,328
Compensation to executive officers	277,910	39,625
Total operating expenses	760,720	669,330
Loss from operations	(375,337)	(288,603)
Other Income(Expense)		
Interest income	123	7,293
Interest expense-related parties	(143,856)	(65,747)
Interest expense-other	(8,693)	(18,812)
Claim Settlement	-	168,000
Miscellaneous expense(income)	62,256	(4,202)
Total other income(expense)	(90,171)	86,532
Loss before income tax expense	(465,508)	(202,071)
Provision for income taxes	-	-
Net loss	$ (465,508)	$ (202,071)
BASIC LOSS PER SHARE	$ (0.02)	$ (0.01)
FULLY DILUTED INCOME PER SHARE	$ -	$ -
BASIC WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	25,769,295	25,288,757
FULLY DILUTED AVERAGE NUMBER OF SHARES OUTSTANDING	25,769,295	25,288,757

See accompanying notes to condensed consolidated financial statements.

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

	For The Three-Month Periods Ended	
	November 30, 2008	November 30, 2007
Revenues	$ 431,538	$ 178,023
Cost of sales	285,633	64,454
Gross profit	145,905	113,569
Operating Expenses:		
Selling and marketing expenses	44,310	26,654
General and administrative expenses	129,327	167,824
Compensation to executive officers	95,285	8,125
Total expenses	268,922	202,603
Loss from operations	(123,017)	(89,034)
Other Income(Expense)		
Interest income	67	2,102
Interest expense-related parties	(70,118)	(21,573)
Interest expense-other	(2,424)	(5,565)
Miscellaneous expense(income)	-	(239)
Total other income(expense)	(72,476)	(25,275)
Loss before income tax expense	(195,493)	(114,309)
Provision for income taxes	-	-
Net loss	$ (195,493)	$ (114,309)
BASIC LOSS PER SHARE	$ (0.01)	$ (0.00)
FULLY DILUTED LOSS PER SHARE	$ -	$ -
BASIC WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	25,765,287	25,435,804
FULLY DILUTED AVERAGE NUMBER OF SHARES OUTSTANDING	25,765,287	25,435,804

See accompanying notes to condensed consolidated financial statements.

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

	Years Ended November 30, 2008	November 30, 2007
OPERATING ACTIVITIES:		
Net loss	$ (465,508)	$ (202,071)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	27,409	32,655
Stock-based compensation and interest expense	572,228	16,070
Accrued interest due to related parties	-	22,438
Contributed executive services	-	34,670
Provision for doubtful accounts	-	1,700
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(52,220)	17,855
(Increase) decrease in inventory	84,698	(55,056)
(Increase) decrease in prepaid expenses and other assets	(133,301)	119,161
(Increase) decrease in asset held for sale	149,111	(11,239)
Increase (decrease) in accounts payable and accrued expenses	(15,639)	128,085
Increase (decrease) in accrued interest payable	16,438	-
Increase (decrease) in customer deposits	83,495	(202,235)
Net Cash (Used in) Provided by Operating Activities	266,710	(97,967)
INVESTING ACTIVITIES:		
Release of restricted cash	-	150,000
Purchase in property and equipment	(37,079)	(13,147)
Payment for patents	-	(867)
Net Cash (Used in) Provided by Financing Activities	(37,079)	135,986
FINANCING ACTIVITIES:		
Proceeds from related party notes payable	75,000	96,913
Proceeds from notes payable	-	139,500
Repayment of notes payable	(129,213)	(136,708)
Net Cash (Used in) Provided by Financing Activities	(54,213)	99,705
NET INCREASE (DECREASE) IN CASH	175,419	137,724
CASH AT BEGINNING OF PERIOD	19,851	36,723
CASH AT END OF PERIOD	$ 195,270	174,447
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Stock issued for settlement of debt	$ -	$ 71,057

Stock issued for services	$	7,050	$	1,417

Supplemental disclosures of cash flow information:
Cash Paid for:

Interest	$		$	44,055
Income taxes	$	-	$	1,600

See accompanying notes to condensed consolidated financial statements.

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: CONDENSED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at November 30, 2008, and for all periods presented herein, have been made.

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. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company’s February 29, 2008 audited financial statements. The results of operations for the periods ended November 30, 2008 and 2007 are not necessarily indicative of the operating results for the full years.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: GOING CONCERN

The Company has experienced recurring losses from operations and has an accumulated deficit of $7,151,202 as of November 30, 2008. These factors, among others, raise substantial doubt about the Company’s ability to continue as a going concern.

Recoverability of a major portion of the recorded asset amounts shown in the accompanying condensed consolidated balance sheet is dependent upon continued operations of the Company, which, in turn, is dependent upon the Company's ability to continue to finance its activities and ultimately generate positive cash flows from operations. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classifications of liabilities that might be necessary should the Company be unable to continue its existence.

In order to continue as a going concern, the Company needs to develop a reliable source of revenue, and achieve a profitable level of operation. During the fiscal year ended February 29, 2008 and the nine months ended November 30, 2008, the Company funded its operations primarily through utilization of customer sales to pay related purchase orders and funds received from a related party. As of November 30, 2008 the Company held $195,270 in cash. It had a backlog of $560,875 in unshipped products and $328,087 available to borrow from a related party. Over the next twelve months, management believes that sufficient working capital may be obtained from a combination of revenues and external financing to meet the Company’s liabilities and commitments as they become payable. However, additional funding may still be required from the TAM Irrevocable Trust (TAM Trust), a related entity, or other shareholders. During April 2007, the TAM Trust committed to providing up to $250,000 in additional funding. As of November 30, 2008, $78,087 remained available under this commitment. During June 2008, the TAM Trust committed to providing up to $250,000 in additional funding if necessary. As of November 30, 2008, the TAM Trust has extended $708,696 in financing borrowings plus accrued interest to the Company.

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: BASIC INCOME (LOSS) PER SHARE

The computation of basic and diluted income (loss) per common share is based on the weighted average number of shares outstanding during each period.

	November 30, 2008	November 30, 2007
Net Income (Loss)	$ (465,508)	$ (202,071)
Basic Income (Loss) Per Common Share	$ (0.02)	$ (0.01)
Basic Weighted Average Number of Share Outstanding	25,769,295	25,288,757

The computation of loss per common share is based on the weighted average number of shares outstanding during the year plus the common stock equivalents which would arise from the exercise of stock options and warrants outstanding using the treasury stock method and the average market price per share during the year. Common stock equivalents, consisting of 19,190,037 in warrants were considered but were not included in the computation of loss per share at November 30, 2008, because they would have been anti-dilutive.

NOTE 5: COMMON STOCK PURCHASE WARRANTS

Warrants
The Company has determined the estimated value of the compensatory warrants granted to non-employees in exchange for services and financing expenses using the Black-Scholes pricing model and the following assumptions: expected term of 1year, a risk free interest rate of 2.37%, a dividend yield of 0% and volatility of 139% in 2008. The amount of the expense charged to operations for compensatory warrants granted in exchange for services was $96,702 for the three months ended November 30, 2008.

The following table summarizes the changes in warrants outstanding and the related prices for the shares of the Company’s common stock issued to non-employees of the Company. These warrants were granted in lieu of cash compensation for services performed or financing expenses.

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: COMMON STOCK PURCHASE WARRANTS (Continued)

A summary of warrant activity for the nine months ended November 30, 2008 and the year ended February 28, 2008 are as follows.

	Warrants Outstanding	Weighted-Average Exercise Price
Outstanding at March 1, 2007	6,100,000	$ 0.23
Granted	707,221	0.40
Exercised	-	-
Forfeited	-	-
Outstanding at February 28, 2008	6,807,221	0.23
Granted	1,730,000	0.33
Exercised	-	-
Forfeited	-	-
Outstanding at November 30, 2008	8,537,221	0.25
Vested or expected to vest at November 30, 2008	8,537,221	0.25
Exercisable at November 30, 2008	7,700,000	0.25

The following table summarizes significant ranges of outstanding warrants as of November 30, 2008:

	Warrants Outstanding			Warrants Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
$ 0.19	600,000	2.76	$ 0.19	-	$ 0.19
0.23	6,000,000	0.75	0.23	6,000,000	0.23
0.29	107,221	2.76	0.29	-	0.29
0.40	100,000	2.42	0.40	-	0.40
0.33	1,700,000	2.76	0.33	1,700,000	0.33
0.16	30,000	2.42	0.16		
	8,537,221		$ 0.25	7,700,000	$ 0.25

SEYCHELLE ENVIRONMENTAL TECHNOLOGIES, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: LINE OF CREDIT

As of November 30, 2008, the Company has a line of credit agreement, totaling $100,000. The line of credit bears interest at the lending institutions' index rate (6.00% at November 30, 2007) plus two percent and is due June 1, 2009. As of November 30, 2008, the Company has borrowed $100,000 against the line of credit. The line of credit agreement does not include any limitations on borrowings or any restrictive debt covenants and the Company intends to renew the line of credit for another year when it becomes due.

NOTE 7: INVENTORY

The Company's inventory consisted of the following at November 30, 2008:

Raw materials	$ 150,062
Work in Progress	
Finished goods	292,711
	442,773
Reserve for obsolete and slow moving inventory	(144,099)
	$ 298,674

NOTE 8: CONTINGENT LIABILITY

The Company defaulted on a loan in July 2008 which held the company's airplane as collateral. A contingent liability exists due to this default.

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

This discussion summarizes the significant factors affecting the operating results, financial condition and liquidity and cash flows of the Company and its subsidiary for the three and nine-month period ended November 30, 2008 and 2007. The discussion and analysis that follows should be read together with the consolidated financial statements of Seychelle Environmental Technologies, Inc. and the notes to the consolidated financial statements included in the Company's annual report on Form 10-KSB for the fiscal year ended February 29, 2008. Except for historical information, the matters discussed in this section are forward looking statements that involve risks and uncertainties and are based upon judgments concerning various factors that are beyond the Company's control.

Forward-Looking Statements

Certain statements contained herein are "forward-looking" statements. Forward-looking statements include statements which are predictive in nature; which depend upon or refer to future events or conditions; or which include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or variations or negatives thereof or by similar or comparable words or phrases. In addition, any statement concerning future financial performance, ongoing business strategies or prospects, and possible future Company actions that may be provided by management are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties, and assumptions about the Company; and economic and market factors in the countries in which the Company does business, among other things. These statements are not guarantees of future performance, and the Company has no specific intentions to update these statements. Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors including, among others:

(1) the portable water filtration industry is in a state of rapid technological change, which can render the Company's products obsolete or unmarketable;

(2) any failure by the Company to anticipate or respond to technological developments or changes in industry standards or customer requirements, or any significant delays in product development or introduction, could have a material adverse effect on the Company's business, operating results and financial condition;

(3) the Company's cost of sales may be materially affected by increases in the market prices of the raw materials used in the Company's manufacturing processes;

(4) the Company's water related product sales could be materially affected by weather conditions and government regulations;

(5) the Company is subject to the risks of conducting business internationally; and

(6) the industries in which the Company operates are highly competitive. Additional risks and uncertainties are outlined in the Company's filings with the Securities and Exchange Commission, including its most recent fiscal 2008 Annual Report on Form 10-KSB.

Description of the Business.

We were incorporated under the laws of the State of Nevada on January 23, 1998 as a change of domicile to 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.

Our Company is presently comprised of Seychelle Environmental Technologies, Inc., a Nevada corporation, with one wholly-owned subsidiary, Seychelle Water Technologies, Inc., also a Nevada corporation (collectively, the Company or Seychelle). We use the trade name "Seychelle Water Filtration Products, Inc." in our commercial operations.

Seychelle designs and manufactures unique, state-of-the-art ionic adsorption micron filters that remove up to 99.99% of all pollutants and contaminants found in any fresh water source. Patents or trade secrets cover all proprietary products.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations

Results of Operations

Our summary historical financial data is presented in the following table to aid in your analysis. You should read this data in conjunction with this section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations, our condensed consolidated financial statements and the related notes to the condensed consolidated financial statements included elsewhere in this report. The selected condensed consolidated statements of operations data for the three months ended November 30, 2008 and 2007 are derived from our condensed consolidated financial statements included elsewhere in this report.

Three-month period ended November 30, 2008 compared to the corresponding period in 2007

	2008	2007	Year over year change	%
Sales	$ 431,538	$ 178,023	253,515	142%
Cost of sales	285,633	64,454	221,179	243%
Gross profit	145,905	113,569	32,336	28%
Gross profit percentage	34%	64%		
Selling and marketing expenses	44,310	26,654	17,656	66%
General and administrative expenses	129,327	167,824	(38,497)	-23%
Compensation to executive officers	95,285	8,125	87,160	972%
Interest expense to related parties	70,118	21,573	48,545	225%
Net loss	(195,493)	(114,309)	81,184	-71%

Sales. The increase in sales is primarily due to sales to a new customer. Welfare Services contributed to $220,000 revenue in the quarter ended November 30, 2008. This increase in sales was further expanded by a normal fluctuation of sales with a significant distributor, Wellness Enterprises. Their sales increased from approximately $1,000 in 2007 to $41,000 in 2008. Approximately 29,000 bottles were sold during the three-month period ended November 30, 2007 at an average price of $9.91 per bottle compared to the previous year in which approximately 10,500 bottles were sold at an average price of $7.81. Non-bottle sales were lower during the period as the shift to more bottle sales continues. In September 2008, the Company reported over $1.3 million in purchase orders. September 2008 was also a record month since March 2007 with $267,000 in sales.

Cost of sales and gross profit percentage. The increase in cost of sales is primarily due to increased sales as well as an increase in raw material cost. The actual average cost per bottle increased 2% from $2.79 as of November 30, 2007 to $2.85 as of November 30, 2008. This increase is cost is primarily due to an increase in overhead. As a percentage of sales, the gross profit margin during the three months ended November 30, 2008 decreased to 34% from 41% for the three months ended November 30, 2007.

Selling expenses. Selling expenses consist primarily of commissions paid to salespeople. The increase in 2008 versus 2007 is a direct result of the increase in sales and the amount of sales related to commissions.

General and administrative expenses. The decrease in general and administrative expenses was primarily due to a decrease in accounting fees of over $160,600. The decrease was partially offset due to an increase in allocated general and administrative expense.

Compensation to executive officers. The increase in compensation to executive officers for the three-month period ended November 30, 2008, compared to the three-month period ended November 30, 2007, is due to an additional 700,000 warrants being issued to two executive officers in April 2008. The warrants issued in April 2008 have a nine-month vesting period which valued $74,000 in the period. There was an additional value of $16,700 recognized due to warrants issued in December 2007 which will also vest in December. This difference in compensation was partially offset by the Company paying a monthly stipend, commencing October 2006 of $2,500 to Messrs. Parsons and Place. The stipend to Mr. Place was reduced to $750 in July 2007 and subsequently reduced to $375 in November 2007. The stipend to Mr. Parsons was reduced to $1,250 in November 2007. Total stipends paid during the three-month period ended November 30, 2007 were $11,500 while total stipends paid during the three month period ended November 30, 2008 were $3,250.

Interest expense to related parties. The increase in interest expense for the three-month period ended November 30, 2008, compared to the three-month period ended November 30, 2007, is due to the Company issuing 1,000,000 warrants on April 30, 2008 as interest due for related party notes payable. The value of these warrants is $224,970. One fourth of the value was recognized as interest expense in the three month period ended November 30, 2008 for a value of $56,243.

Net Income (loss). Net Loss for the three-month period ended November 30, 2008 was $195,493 compared to a net loss of $114,309 for the three-month period ended November 30, 2007. This was primarily due to an increase in interest expense on related party loans in the three month period ended November 30, 2008.

Nine-month period ended November 30, 2008 compared to the corresponding period in 2007

	2008	2007	Year over year change	%
Sales	$ 908,621	$ 725,656	182,965	25%
Cost of sales	523,238	344,929	178,309	52%
Gross profit	385,383	380,727	4,656	1%
Gross profit percentage	42%	52%		
Selling and marketing expenses	58,535	51,377	7,158	14%
General and administrative expenses	424,275	578,328	(154,053)	-27%
Compensation to executive officers	277,910	39,625	238,285	501%
Interest expense to related parties	143,856	65,747	78,109	118%
Net loss	(465,508)	(202,071)	(263,437)	130%
Net cash provided by (used in) operating activities	266,525	(97,967)	364,492	-372%
Net cash provided by (used in) investing activities	(37,079)	135,986	(173,065)	-127%
Net cash provided by (used in) financing activities	(54,213)	99,705	(153,918)	-154%

Sales. Sales increased primarily due to sales to a new customer during the nine-month period ended November 30, 2008. Welfare Services contributed to $220,000 revenue in the quarter ended November 30, 2008. Website sales increases by $70,000 in the nine-month period ended November 30, 2008. Additional increases in sales to three customers (Emergency Essentials, Giles Butler, and Healthy Directions, LLC) contributed to an approximate increase of $160,000. The number of bottles sold increased from 64,733 to 36,961, while the average price per bottle increased from $6.82 to $7.33. Sales of bottles totaled approximately $465,500 while sales of other products during the nine-month period ended November 30, 2008 totaled approximately $367,000, including the new emergency survival pack, replacement filters and canteens. Going forward, we anticipate a continued decline in the sales of non-bottle products with the trend to more sales of bottles.

Cost of sales and gross profit. The increase in cost of sales is primarily due to increased sales. As a percentage of sales, the gross profit percentage decreased from 52% to 42% due to a change in the pricing of bottles combined with a change in production costs. As previously noted, the average sales price per bottle increased while the average cost per bottle increased from $2.68 to $2.93 for the nine-month periods.

General and administrative expenses. The decrease in general and administrative expenses is due to the following: (1) accounting expenses decreased by approximately $160,500 (2) legal expenses decreased by 11,700(3) an increase in allocated general and administrative expense of $71,000 due to overhead calculation (4) an increase in outside services by 7,000 (5) merchant fees increased by $4,500 due to a new vendor being used and changes in the daily process for charging transactions (6) rent increased by $16,500 due to an increase in CAM expenses and additional rent being paid in China to increase production.

Compensation to executive officers. The increase in compensation to executive officers for the nine-month period ended November 30, 2008, compared to the nine-month period ended November 30, 2007, is due to an additional 700,000 warrants being issued to two executive officers in April 2008. The warrants issued in April 2008 have a nine-month vesting period which valued 148,000 in the period. This increase in compensation was partially offset by the Company paying a monthly stipend, commencing October 2006 of $2,500 to Messrs. Parsons and Place. The stipend to Messer. Place was reduced to $750 during July 2007 (total stipends paid during the nine-month period ended November 30, 2008 were $3,250).

Interest expense to related parties. The increase in interest expense for the nine-month period ended November 30, 2008, compared to the nine-month period ended November 30, 2007, is due to the Company issuing 1,000,000 warrants on April 30, 2008 as interest due for related party notes payable. The value of these warrants is $224,970. One fourth of the value was recognized as interest expense in the three month period ended November 30, 2008 for a value of $56,243.

Net loss. There was a net loss of $465,508 for the nine-month period ended November 30, 2008 compared to a net loss of $202,071 for the nine-month period ended November 30, 2007. The loss was significantly higher than the previous year primarily attributable to additional warrants being issued in April 2008 which increased expenses in the nine month period ended November 30, 2008.

Liquidity and Capital Resources

Net cash used in operating activities. During the nine-month period ended November 30, 2008, the Company funded its operations primarily through the utilization of customer deposits to purchase raw material and other production costs and proceeds received from the TAM Trust while in the prior fiscal year, the Company primarily funded its operations by the sale of restricted common stock. During the nine-month period ended November 30, 2007, the net loss of approximately $465,508 was offset by approximately $572,228 non-cash expenditures.

Net cash used in investing activities. During the nine-month period ended November 30, 2008; the decrease in cash provided by investing activities was due to the release of 75,000 in restricted cash in the nine month period ended November 30, 2007 and the purchase of shop equipment in November 2008.

Net cash provided by financing activities. The decrease in cash provided by financing activities during the three month period ended November 30, 2008 was largely due to the default of the airplane loan.

Our principal sources of liquidity have historically been funds generated from operating activities and borrowings from the TAM Trust, one of our principal shareholders. As of November 30, 2008, the TAM Trust has loaned the Company $471088 at 10% simple interest, repayable after March 1, 2011. The Company believes that despite the increase in sales experienced during the fiscal years ended February 28, 2007 and 2008 and the nine-month period ended November 30, 2008, additional funding may still be required from the TAM Trust or other shareholders. During June 2007, the TAM Trust committed to providing up to $250,000 in additional funding. As of November 30, 2008, the TAM Trust has advanced the Company $171,913 of $500,000 committed.

As of November 30, 2008, the Company had $195,270 in cash and no remaining amount available to borrow under its line of credit. The line of credit does not contain any limitations on borrowing or any restrictive debt covenants. The Company believes it has liquidity and committed funds to meet its operating needs through the balance of fiscal 2009.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon its condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

The Company believes that the estimates, assumptions and judgments involved in the accounting policies described in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of its most recent fiscal 2008 Annual Report on Form 10-KSB have the greatest potential impact on its consolidated financial statements, so it considers these to be its critical accounting policies. Because of the uncertainty inherent in these matters, actual results could differ from the estimates the Company uses in applying the critical accounting policies. Certain of these critical accounting policies affect working capital account balances, including the policies for inventory reserves, impairment of long-lived assets and intangible assets, accounting for transactions which potentially could be settled in a company's own stock and stock-based compensation. These policies require that the Company make estimates in the preparation of its consolidated financial statements as of a given date.

Within the context of these critical accounting policies, the Company is not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

None.

ITEM 4. CONTROLS AND PROCEDURES

Not applicable

ITEM 4T. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, based on an evaluation of our disclosure controls and procedures (as defined in Rules 13a -15(e) and 15(d)-15(e) under the Exchange Act), our Chief Executive Officer and the Chief Financial Officer each have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the applicable time periods specified by the SEC's rules and forms.

There were no changes in our internal controls over financial reporting that occurred during our most recent fiscal three months that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

This report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Identified in connection with the evaluation required by paragraph (d) of Rule 240.13a-15 or Rule 240.15d-15 of this chapter that occurred during the registrant's last fiscal three months that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of November 30, 2008, we know of no legal proceedings pending or threatened or judgments entered against the Company or any of our directors or officers in his capacity as such.

ITEM 1A. RISK FACTORS

Risk Factors Related to Our Business

THE OWNERSHIP AND INVESTMENT IN OUR SECURITIES INVOLVES SUBSTANTIAL RISKS. OUR COMMON SHARES SHOULD BE PURCHASED ONLY BY PERSONS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THESE RISKS RELATING TO OUR COMPANY.

Lack of Successful Operating History. Our Company was formed on January 23, 1998 and acquired the operations of a company that had been in existence since 1996. Since beginning operations, we initially sold water filtration products to a number of customers, then during March 2001 entered into a sales marketing agreement with Nikken Global, Inc. and Kenko World, two affiliated multi-level marketing companies (collectively “Nikken”). This agreement allowed Nikken the exclusive rights to distribute our products and technology for a period of ten years, commencing March 1, 2001. During the period of the agreement, the Company continued to promote its 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, which do not sell to distributors or resell to customers. During the fiscal year ending February 28, 2002, the Company decided to terminate its agreement with Nikken. The Company has continued to expand its product lines, since the Nikken business ended, but have not generated enough revenue to support operations. This has required us to seek both investor capital and financing to buy the time required by new management to reverse the downward trend. Recent sales activity for the fiscal year ended February 29, 2008 has decreased over the past year. Still, we have limited financial results upon which you may judge our potential. The Company is not engaged in enough consistent business activity over a sustained period of time to be said to have a successful operating history. We have experienced in the past and may experience in the future under-capitalization, shortages, setbacks and many of the problems, delays and expenses encountered by any early stage business. These include:

- operating as a public entity, incurring non-cost of sales expenses such as accounting, auditing, financial reporting and compliance, legal and costs to maintain full compliance with rules governing regulated reporting status, including continuing Sarbanes-Oxley requirements,
- unplanned delays and expenses related to research, development and testing of our new products
- production and marketing problems that may be encountered in connection with our existing products and technologies,
- competition from larger and more established companies, and
- under-capitalization to challenge the lack of market acceptance of our new products and technologies.

Lack of Profitability. To date, we have incurred significant losses. For the quarter ended November 30, 2008, our revenue was $431,538 versus $178,023 for the comparative quarter ended November 30, 2007. This increase was due primarily to sales to one customer (Welfare Services) as detailed in the Results of Operations section below. Net losses for the quarter ended November 30, 2008 of $195,493 were higher than net loss in the comparative quarter ended November 30, 2007 of $114,309 as a result of an increase in interest expense on related party loans in the quarter ended November 30, 2008. We have a policy of not projecting sales and profits due to:

- lack of consistent sales to maintain profitability,
- significant legal and professional fees associated with regulated business activities and the SEC,
- reporting requirements, including continuing Sarbanes-Oxley requirements.

As a result of our history of operations, it is not possible for us to predict when, if ever, we may achieve profitability. If we continue to be unprofitable, we may eventually go out of business. As a result, investors may lose some or all of their investment.

Inherently Risky-Competition. Because we are a Company with no history of profitability, our operations will be extremely competitive and subject to numerous risks. The water filtration business is highly competitive with many companies having access to the same market. Substantially all of them have greater financial resources and longer operating histories than we have and can be expected to compete within the business in which we engage and intend to engage. There can be no assurance that we will have the necessary resources to be competitive. Therefore, investors should consider an investment in us to be an extremely risky venture.

Delays in the Development of New Products. We have a limited product line, and the development of some of our technologies has taken longer than anticipated and could be additionally delayed. Therefore, there can be no assurance of timely completion and introduction of improved products on a cost-effective basis, or that such products, if introduced, will achieve market acceptance such that, in combination with existing products, they will sustain us or allow us to achieve profitable operations.

Dependence Upon Technology. We are operating in a business that requires extensive and continuing research, development and testing efforts. There can be no assurance that new products will not render our products obsolete or non-competitive at some time in the future.

Protection of Technology. A successful challenge to the ownership of our technology could materially damage our business prospects. We rely principally on trade secrets as well as trade secret laws, two patents, two trademarks, copyrights, confidentiality procedures and licensing arrangements to protect our intellectual property rights. We currently have two U.S. patents issued and a license on two patents. Any issued patent may be challenged and invalidated. Patents may not be issued from any of our future applications. Any claims allowed from existing or future pending patents may not be of sufficient scope or strength to provide significant protection for our products. Patents may not be issued in all countries where our products can be sold so as to provide meaningful protection or any commercial advantage to us. Our competitors may also be able to design around our patents or the patents that we license.

Vigorous protection and pursuit of intellectual property rights or positions characterize our industry, which has resulted in significant and often protracted and expensive litigation. Therefore, our competitors may assert that our technologies or products infringe on their patents or proprietary rights. Problems with patents or other rights could increase the cost of our products or delay or preclude new product development and commercialization by us. If infringement claims against us are deemed valid, we may not be able to obtain appropriate licenses on acceptable terms or at all. Litigation could be costly and time-consuming but may be necessary to protect our future patent and/or technology license positions or to defend against infringement claims.

Competition. Technological competition from larger and more established companies is significant and expected to increase. Most of the companies with which we compete and expect to compete have far greater capital resources and more significant research and development staffs, marketing and distribution programs and facilities, and many of them have substantially greater experience in the production and marketing of products. Our ability to compete effectively may be adversely affected by the ability of these competitors to devote greater resources to the sale and marketing of their products than we can. In addition, one or more of our competitors may succeed or may already have succeeded in developing technologies and products that are more effective than any of those we currently offer or are developing. In addition, there can be no guarantee that we will be able to protect our technology from being copied or infringed upon. Therefore, there are no assurances that we will ever be able to obtain and to maintain a profitable position in the marketplace. However, no company to date has been able to match our technology or our cost.

Success Dependent Upon Management. Our success is dependent upon the decision making of our directors and executive officers. These individuals have made a full commitment to the business. The loss of any or all of these individuals could have a materially adverse impact on our operations. On December 1, 2001, we entered into an employment agreement with our President. During November 2004, the Company entered into consulting agreements with two officers to provide management consulting services.

Dependence on One or a Few Customers. For the quarter ended November 30, 2008, one customer (Welfare Services) individually accounted for greater than 10 percent of total sales. In addition four other customers (Giles Butler, Healthy Direction, LLC, Innova Pure Water Inc, and Wellness Enterprises) individually account for greater than 5% of total sales. Management believes that if the targeted revenues are not achieved within their current marketing and distribution agreements, the revenues can be replaced through the sale of filters and related products to other direct marketing companies. However, there can be no assurance that this will occur which could result in an adverse effect on the Company’s financial condition or results of operations in the future.

Our Senior Management's Limited Experience Managing A Publicly Traded Company May Divert Management's Attention From Operations and Harm Our Business. Our management team has relatively limited recent experience managing a publicly traded company and complying with federal securities laws, including compliance with recently adopted disclosure requirements on a timely basis. Our management will be required to design and implement appropriate programs and policies in responding to increased legal, regulatory compliance and reporting requirements, and any failure to do so could lead to the imposition of fines and penalties and harm our business.

The Acquisition of Other Technologies Could Result In Operating Difficulties, Dilution and Other Harmful Consequences. We may selectively pursue strategic acquisitions, any of which could be material to our business, operating results and financial condition. Future acquisitions could divert management's time and focus from operating our business. In addition, integrating an acquired technology is risky and may result in unforeseen operating difficulties and expenditures.

The anticipated benefits of our future acquisitions may not materialize. Future acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, including our common stock, the incurrence of debt, contingent liabilities or amortization expenses, or write-offs of intellectual properties any of which could harm our financial condition. Future acquisitions may also require us to obtain additional financing, which may not be available on favorable terms or at all.

We Face Risks Associated With Currency Exchange Rate Fluctuations. Although we currently transact business primarily in U.S. dollars, a large portion of our revenues and related cost of goods sold may be determined in foreign currencies if we continue to expand our international operations. Conducting business in currencies other than U.S. dollars subjects the Company to fluctuations in currency exchange rates that could have a negative impact on our reported operating results. Fluctuations in the value of the U.S. dollar relative to other currencies may impact our revenue, cost of goods sold and operating gross margin and result in foreign currency translation gains and losses. Historically, we have not engaged in exchange rate hedging activities.

Changes to Financial Accounting or Other Standards May Affect Our Operating Results and Cause Us To Change Our Business Practices. We prepare our consolidated financial statements to conform to generally accepted accounting principles, or GAAP, in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board (FASB), the Securities and Exchange Commission, the Public Company Accounting Oversight Board and various other bodies. A change in those policies could have a significant effect on our reported results and may affect our reporting of transactions completed before a change is announced.

For example, the Company has used stock warrants, restricted stock, and other equity incentives as a fundamental component of our executive compensation packages. The Company believes that stock warrants and other equity incentives directly motivate our executives to maximize long-term stockholder value and, through the use of vesting, encourage executives to remain with the Company. In December 2004, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 123(R), which requires that grants of equity incentives be recognized on the income statement based upon their fair values. In addition, regulations implemented by the NASDAQ National Market generally require stockholder approval for all equity incentives. We may, as a result of these changes, incur increased compensation costs, change our equity compensation strategy or find it difficult to attract, retain and motivate employees, each of which could materially and adversely affect our business, operating results and financial condition.

Our Financial Results Could Vary Significantly From Quarter to Quarter and Are Difficult to Predict. Our revenues and operating results could vary significantly from quarter to quarter because of a variety of factors, many of which are outside of the Company's control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. In addition, we may not be able to predict our future revenues or results of operations. We base our current and future expense levels on our internal operating plans and anticipated sales levels, and our operating costs are to a large extent fixed. As a result, we may not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in revenues, and even a small shortfall in revenues could disproportionately and adversely affect financial results for that period. In addition, any payments due to us from our customers may be delayed because of changes or issues with those customers' processes.

If We Continue to Fail in Maintaining Effective Internal Control Over Financial Reporting, The Price of Our Common Stock May be Adversely Affected. We Have Determined That Our Internal Control Over Financial Reporting Have Material Weaknesses and Conditions That Need to Be Addressed, The Disclosure of Which May Have an Adverse Impact on the Price of Our Common Stock. We are required to establish and maintain appropriate internal control over financial reporting. Failure to establish those controls, or any failure of those controls once established, could adversely impact our public disclosure regarding our business, financial condition or results of operations. In addition, our future assessments of internal control over financial reporting may identify additional weaknesses and conditions that need to be addressed in our internal control over financial reporting or other matters that may raise concerns for investors. Any actual of perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting, disclosure of management's assessment of our internal control over financial reporting or disclosure of our independent registered public accounting firm's attestation report, when applicable, on management's assessment of our internal control over financial reporting may have an adverse impact of our common stock.

Standards for Compliance with Section 404 of the Sarbanes-Oxley Act of 2002 are Uncertain, and If We Fail to Comply in a Timely Manner, Our Business Could Be Harmed and Our Stock Price Could Decline. Rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require annual assessment of our internal control over financial reporting, and attestation of our assessment by our independent registered public accounting firm. Currently, we believe these two requirements apply to our annual reports for fiscal 2008 and 2009, respectively. The standards that must be met for the management to assess the internal control over financial reporting as effective are evolving and complex, and require significant documentation, testing, and possible remediation to meet the detailed standards. We have incurred, and expect to incur, significant expenses and to devote resources to Section 404 compliance during the remainder of fiscal year 2009 and on an ongoing basis. It is difficult for us to predict how long it will take to complete the assessment of the effectiveness of our internal control over financial reporting for each year and to remediate any deficiencies in our internal control over financial reporting. As a result, we may not be able to complete the assessment and remediation process on a timely basis. In addition, the attestation process by our independent registered public accounting firm is new and we may encounter problems or delays in completing the implementation of any requested improvements and receiving an attestation of our assessment by our independent registered public accounting firm. In the event that our Chief Executive Officer, Chief Financial Officer, or independent registered public accounting firm determine that our internal control over financial reporting is not effective as defined under Section 404, we cannot predict how regulators will react of how the market prices of our shares will be affected, however, we believe that there is a risk that investor confidence and share value may be negatively impacted.

Maintaining and Improving Our Financial Controls and The Requirements Of Being a Public Company May Strain Our Resources, Divert Managements Attention and Affect Our Ability to Attract and Retain Qualified Members For Our Board of Directors. As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act of 2002. The requirements of these rules and regulations increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming and costly and may also place undue strain on our personnel, systems, and resources. The Sarbanes-Oxley Act of 2002 requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. Fulfilling this requirement can be difficult to achieve and maintain.

We have a substantial effort ahead of us to remediate our control deficiencies and material weaknesses we have identified during the fiscal year 2008. As a result, management's attention may be diverted from other business concerns, which could harm our business, operating results and financial condition. These efforts will also involve substantial accounting related costs.

ITEM 2.   UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three-month period ended November 30, 2008, the Company issued 42,743 warrants to individuals as payment for past services with an approximate total value of $14,800.

In all of the transactions shown above, we have issued stop transfer orders concerning the transfer of certificates representing all the common stock issued and outstanding as reported in this section.

There have been no further issuances of securities through the date of this filing.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES
None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

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 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)

Reports on Form 8-K

We filed two reports on September 23 2008 and October 14, 2008 under cover of Form 8-K for the period ended November 30, 2008. The first report related to the entry into a material definitive agreement, and the second report related to material sales in September of 2008.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act OF 1934, the Registrant has duly caused this Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

Seychelle Environmental Technologies, Inc.

Date: January 12, 2009	By:	/s/ Carl Palmer Carl Palmer Director, Chief Executive Officer and President

Date: January 12, 2009	By:	/s/ Jim Place Jim Place Director and Chief Financial Officer and Chief Operating Officer