SAFETEK INTERNATIONAL INC
Form 10QSB
November 20, 2006

U.S. SECURITIES AND EXCHANGE
COMMISSION Washington, D.C. 20549

FORM 10-QSB

(Mark One)

|X| QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarter ended September 30, 2006

|_| TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 33-22175

SAFETEK INTERNATIONAL, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	75-2226896
(State of incorporation)	(IRS Employer ID Number)

c/o David Lubin & Associates, PLLC
26 East Hawthorne Avenue
Valley Stream, NY 11580
(Address of principal executive offices)

(516) 887-8200
(Issuer's telephone number)

23 Aminadav St., Tel Aviv, Israel, 67898
(Former name, former address and former fiscal year, if changed since last report)

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 |_|

Number of shares of common stock outstanding as of November 17, 2006: 82,138,800 shares of common stock.

Transitional Small Business Format Yes |_| No |X|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES |X| NO |_|

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NOTE: THIS REPORT HAS NOT BEEN REVIEWED BY THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

SAFETEK INTERNATIONAL, INC. AND SUBSIDIARY
(A Development Stage Company)
FORM 10-QSB
QUARTERLY PERIOD ENDED JUNE 30, 2006

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SAFETEK INTERNATIONAL INC. AND SUBSIDIARY
(A Development Stage Company)
CONSOLIDATED BALANCE SHEET
(UNAUDITED/ UNREVIEWED)

	September 30, 2006 (Unaudited)
ASSETS	
Current Assets	
Cash & Cash Equivalents	$ 54,596
Other Receivable	5,233
Prepaid Expenses	37,394
Biological Materials Supply Inventory	108,438
Total Current Assets	205,661
Available for Sale Securities	5,834
Property and Equipment, Net	11,256
Debt Financing Cost, Net of Amortization	74,228
TOTAL ASSETS	$ 296,979
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current Liabilities	
Accounts Payable	$ 128,390
Accrued Expenses	71,849
Accrued Payroll and Related Expenses	22,606
Loans Payable	69,647
Convertible Debentures, Net of Discount of $405,175 $201,248	105,707
Warrants, Net of Discount of $32,638	8,741
Derivative Liability - Convertible Debentures and Warrants	1,273,642
Derivative Liability - Warrants, Current Portion	8,379
Total Current Liabilities	1,688,960
Other	
Derivative Liability - Warrants	21,088
Redeemable Convertible Preferred Shares	

(4,648 shares, par value $ .0001, redeemable prior to February 21, 2002 at $50 per share) 50,000,000 shares authorized	232,400
TOTAL LIABILITIES	1,942,448
Stockholders' Deficit:	
Common Stock, $.0001 Par Value Authorized 500,000,000 Shares, Issued and Outstanding 76,138,923	7,614
Additional Paid in Capital	4,237,072
Accumulated Deficit Through April 15, 2005*	(4,250,580)
Deficit Accumulated During the Development Stage	(1,639,575)
Total Stockholders' Deficit	(1,645,469)
TOTAL LIABILITIES & STOCKHOLDERS' DEFICIT	$ 296,979

*Commencement of development stage

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SAFETEK INTERNATIONAL, INC. AND SUBSIDIARY
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED/ UNREVIEWED)

	Nine Months Ended		Three
	September 30, 2006	September 30, 2005**	Septembe 30, 2006
	(Unaudited)	(Unaudited)	(Unaudite
Operating Expenses			
Payroll and Related Expenses	$ 347,511	62,332	$ 111,
Office & General Expenses	86,858	41,178	16,
Professional Fees	134,923	139,726	27,
Business Development Costs	130,355	26,454	(
Total Operating Expenses	699,647	269,690	155,
Loss from Operations	699,647	269,690	155,
Other Income (Expenses)			
Income from Cancellation of - Indebtedness	--	181,311	
Gain from Sale of Securities	2,274	--	
Interest Income	1,898	5,463	
Exchange Rate Loss	4,827		

Interest Expenses Convertible Debentures	(25,438)	(12,481)	(13,
Amortization of Convertible Debentures	--		
and Warrant Discount	(137,541)	--	(71,
Derivative Liability Income (Expenses)	2,124,361	--	581,
Total Other Income (Expenses)	1,970,381	174,293	501,
Net Income (Loss)	$ 1,270,734	(95,397)	$ 346,
Net Income(Loss) Per Share			
Basic Per Common Share	$ 0.0204	0.0056	$
Diluted Per Common Share	(0.0003)	(0.00006)	
Weighted Average Number of			
Shares Outstanding Basic	62,219,805	62,291,719	54,164,
Shares Outstanding Diluted	2,499,755,716	2,498,791,791	

*Commencement of development stage
** restated

See notes to unaudited consolidated financial statements

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SAFETEK INTERNATIONAL, INC. AND SUBSIDIARY
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED/ UNREVIEWED)

	For the Six Months Ended	
	September 30, 2006 (Unaudited)	September 30, 2005** (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (loss) for the period	$ 1,270,734	$ (95,397)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Cash Used in Operating Activities:	3,424	47
Depreciation		--
Stock Issued for Services		179
Income from Cancellation of Indebtedness		(181,311)
Non Cash Interest Expenses		2,700
Derivative Liability Expenses	(2,124,361)	--
Amortization of Debentures and Warrants Discount	137,541	--
Other	4339	--
Website Amortization		4410
Changes in Assets and Liabilities		--
Sale of Trading Securities	122,162	--
(Increase) in Prepaid Expenses	(13,139)	(37,544)

(Increase)in Other Receivable	10,861	
Decrease in Other Current Assets	54,906	
(Increase) in Supplies Inventory	(108,438)	
Increase in Accounts Payable	38,469	93,123
(Decrease) Increase in Accrued Expenses	(59,221)	(28,605)
Increase in Accrued Payroll and Related Expenses	(27,655)	28,472
Net Cash Used in Operating Activities	(685,967)	(218,336)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(3,843)	(10,939)
Advance payment to Matrix	--	(25,000)
Loan to Serapis	--	(6072)
Other Long Term Assets	59	(4371)
Available-For-Sale Securities	--	(252,277)
Net Cash Used in Investing Activities	(3,784)	(298,659)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceed from Issuance of Shares and Warrants, Net of Issuance Expenses	--	722,370
Proceeds from Issuance of Debentures, Net of Issuance Expenses	450,000	--
Payment on Debentures	--	(15,828)
Payments on Loan Payable	--	(14,732)
Net Cash Provided by Financing Activities	450,000	691,810
(DECREASE) INCREASE IN CASH AND CASH EQUVALENTS	(239,752)	174,815
BALANCE OF CASH AND CASH EQVIVALENTS AT THE BEGINNING OF PERIOD	294,348	--
BALANCE OF CASH AND CASH EQVIVALENS AT THE END OF PERIOD	$ 54,596	$ 174,815
	$ (239,752)	$ 4,902
	$ --	$ --

*Commencement of development stage
** restated
See notes to unuaudited consolidated financial statements

SAFETEK INTERNATIONAL, INC. AND SUBSIDIARY
(A Development Stage Company)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2006
(UNAUDITED/ UNREVIEWED)

NOTE 1: ORGANIZATION AND DESCRIPTION OF BUSINESS

We were incorporated in April, 1988, in the state of Delaware under the name Theoretics, Inc. In January, 1989, we changed our name to Safetek International, Inc. Until May, 2001, we manufactured prototypes and distributed the final product on behalf of technology developers. We reorganized in May 2001 for the purpose of providing embryonic companies with concepts and patented ideas.

Since December 31, 2002, we have not had any products, services or business operations. Commencing on April 15, 2005, we began focusing on screening new technologies and other business opportunities in the life sciences and health care fields. On May 17, 2005, we established an Israeli wholly owned subsidiary under the laws of the State of Israel, called "Oriens Life Sciences Ltd. (the "Subsidiary") , to serve as a platform for us to screen the Israeli life sciences and health care industry and identify, analyze, and acquire or invest in technologies in this field. During the fiscal year ended December 31, 2005, we signed four term sheets to purchase technologies in the life science field, but we have since abandoned such term sheets.

We are no longer restricting our focus on business opportunities in the life sciences and health care fields. Instead, we have determined to investigate, and if warranted, acquire an interest in any promising business opportunity, and we are not restricting our search to any particular industry or geographical area. We may therefore engage in essentially any business in any industry. Our management has unrestricted discretion in seeking and participating in a business opportunity, subject to the availability of such opportunities, economic conditions and other relevant factors.

We have issued convertible debentures and warrants to fund our ongoing operations. On November 18, 2005, we signed an agreement with four investors (together, the "Investors") to issue an aggregate of $750,000 as convertible debentures (the "Notes") due three years after issuance. The issuance was to be made in three installments: (i) the first, in the amount of $250,000, was received upon signing the definitive investment agreements; (ii) the second, in the amount of $250,000, was received on May 16, 2006, upon our filing of a registration statement covering the shares underlying the Notes and the warrants referred to below; and (iii) the third, in the amount of $250,000, was received On July 10, 2006, upon our filing of a prospectus under Rule 424(b) (3) of the Securities Act of 1933. The Notes bear interest at the rate of 8% per annum payable quarterly in cash. Interest on delayed payments shall be 15% annually. No interest shall be due and payable for any month in which the trading price is greater than $0.1875 for each trading day of the month.

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SAFETEK INTERNATIONAL, INC. AND SUBSIDIARY
(A Development Stage Company)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2006
(UNAUDITED/ UNREVIEWED)

The Notes can be immediately convertible into shares of our Company's common stock. The conversion price will be equal to the lesser of: (i) $0.15 and (ii) the average of the lowest 3 intra-day trading prices during the 20 trading days immediately prior to the conversion date discounted by 50%.

In addition, we issued to the Investors 1,000,000 warrants with an exercise price of $0.30.

As of June 30, 2006, the Company has an accumulated deficit of $5,890,155. Our prospects must therefore be evaluated in light of the problems, expenses, delays and complications associated with the financial situation of the Company

NOTE 2: GOING CONCERN

As of September 30, 2006, we have cash on hand of $54,596 which we received from the issuance of the Notes described below. This amount is inadequate for us to effectuate our planned activities during the next 12 months. Accordingly, we may be unable to continue operations in the future as a going concern. Our plans to deal with this uncertainty include raising additional capital or entering into a strategic arrangement with a third party. There can be no assurance that our plans can be realized. There can be no assurance that we will be able to obtain additional financing if and when needed or that, if available, financing will be on acceptable terms. Additional equity financings may be dilutive to holders of our common stock and debt financing, if available, and may involve significant payment obligations and covenants that restrict how we operate our business.

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company's auditors on their Report of independent registered public accounting firm for the financial statement for the year ended December 31, 2005, raised substantial doubt about the Company's ability to continue as a going concern.

Certain conditions raise substantial doubt about the Company's ability to continue as a going concern beyond the next twelve (12) month period. As of September 30, 2006, the Company had stockholders' deficit of $1,645,469 and an accumulated deficit of $5,890,155. Our balance sheet as of June 30, 2006 reflects total liabilities of $1,942,448. The Company needs to obtain additional financing to fund payment of its obligations and to provide working capital for operations.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements of Safetek International, Inc. and its subsidiary have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with instructions for Form 10-QSB and Item 310 of Regulation S-B. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Results of operations for the six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the fiscal year ended December 31, 2006. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements in the Company's annual report on Form 10-KSB for the fiscal year ended December 31, 2005 and notes thereto filed with the Securities and Exchange Commission in April 2006.

USE OF ESTIMATES

The preparation of these financial statements requires our management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We continually evaluate the accounting policies and estimates we use to prepare the consolidated financial statements. We base our estimates on historical experiences and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management. We do not participate in, nor have we created, any off-balance sheet special purpose entities or other off-balance sheet financing. In addition, we have not and do not anticipate entering into any derivative financial instruments for speculative purposes or use derivative financial instruments primarily for managing our exposure to changes in interest rates. Significant estimates include the useful life of property and equipment and the fair value of derivative liabilities.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Company's cash and cash equivalents, accounts payable and accrued expenses and loans payable approximate their estimated fair values due to the short-term maturities of those financial instruments. The carrying amount of the derivative liability is based on its fair value.

The carrying amount of the convertible notes approximate the estimated fair value for these financial instruments as management believes that such convertible notes constitute substantially all of the Company's debt and the interest payable on the convertible notes approximates the Company's incremental borrowing rate.

DEVELOPMENT STAGE COMPANY

In accordance with Financial Accounting Standards Board (FASB) No. 7, the Company is considered a development stage company, beginning on April 16, 2005, the date it commenced with its new business activity.

ADJUSTMENTS/RESTATEMENT

As part of the quarterly report for the nine months ended September 30, 2005, the financial statements for the nine and the three months ended September 30, 2005, were adjusted to reflect the proper accounting treatment regarding subordinated convertible redeemable debentures that were issued in the years 2001 and 2002. To reclassify amount of $104,300 that was recorded as income from cancellation of indebtedness during the nine months ended September 30 2005 and to additional paid in capital, to reflect the conversions of the debentures into shares and to present $16,993 interest waived by the debentures holders and $323,282 was charged to paid in capital and accumulated deficit in order to reflect a beneficial conversion feature.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2006, the FASB issued FAS 155, accounting for certain Hybrid Financial Instruments, an amendment of FASB statements No.133 and 140. This statement permits fair value measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September

15, 2006. Earlier adoption is permitted as of the beginning of an entity's fiscal year, provided that no interim period financial statements have been issued for the financial year. In the Company's opinion, implementation of this standard is not expected to have a material effect on its financial statements in future periods.

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SAFETEK INTERNATIONAL, INC. AND SUBSIDIARY
(A Development Stage Company)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2006
(UNAUDITED/ UNREVIEWED)

In March 2006 the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Reporting No. 156 ("FAS 156"). This Statement amends FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, with respect to the accounting for separately recognized servicing assets and servicing liabilities, and is effective for financial periods beginning after September 15, 2006. Since the Company does not currently engage in transfers of financial fixed assets , the company does not anticipate that the adoption of this statement will have a material impact on its financial statements.

In July 2006, the FASB issued FASB Interpretation (FIN) No. 48 Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement 109. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return, including a decision whether to file or not to file in a particular jurisdiction. FIN 48 is effective for fiscal years beginning after December 15, 2006. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to retained earnings. In the Company's opinion, implementation of this standard is not expected to have a material effect on its financial statements in future periods.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary. All material inter-company balances and transactions have been eliminated in consolidation.

FUNCTIONAL CURRENCY

The currency of the primary economic environment in which the operations of the Company and its subsidiary are conducted is the US dollar. A significant part of the Company's capital expenditures and most of its financing is in U.S. dollars. Most of the Company's expenses incurred are in U.S. dollars and all intercompany balances are denominated in U.S. dollars. In addition, a substantial portion of the subsidiary's expenses are incurred in U.S.dollars. Thus, the functional currency of the Company and its subsidiary is the US dollar.

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SAFETEK INTERNATIONAL, INC. AND SUBSIDIARY
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September 30, 2006
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Transactions and balances originally denominated in dollars are presented at their original amounts. Balances in foreign currencies are translated into dollars using historical and current exchange rates for non-monetary and monetary balances, respectively. For foreign transactions and other items reflected in the statements of operations, the following exchange rates are used: (1) for transactions - exchange rates at transaction dates or average rates and (2) for other items (derived from non- monetary balance sheet items such as depreciation) - historical exchange rates. The resulting transaction gains or losses are carried to financial income or expenses, as appropriate.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments, which include short-term bank deposits (up to three months from date of deposit) that are not restricted as to withdrawal or use, to be cash equivalents.

OTHER RECEIVABLE

Other receivable consist of refundable value added tax (VAT) payments that the Company paid during the year.

INVESTMENTS IN SECURITIES

The Company and its subsidiary account for securities in accordance with Statement of Financial Accounting Standard No. 115, "Accounting for Certain Investments in Debt and Equity Securities" Securities that are bought and held principally for the purpose of selling them in the near term shall be classified as trading securities. Investments not classified as trading securities shall be classified as available-for-sale securities. Unrealized holding gains and losses for trading securities shall be included in earnings. Unrealized holding gains and losses for available-for-sale securities shall be excluded from earnings and reported in other comprehensive income until realized except in hedge transactions.

PREPAID EXPENSES

Prepaid expenses consist of insurance payments that are amortized over the service and contract period.

BIOLOGICAL MATERIALS SUPPLY INVENTORY

Disposal biological materials are expensed as used and the remaining balance is stated at cost.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciated by the straight-line method over the estimated useful lives of the assets (2-7 years).

OTHER LONG TERM ASSETS

Other long term assets include deposits on leased property that will be applied toward the last three months of the three year leasing period.

DEBT FINANCING COSTS

Consist of costs that were incurred upon issuance of the convertible debentures on November 18, 2005, and May 17, 2006, and on July 16. The balance is amortized on a straight line basis over the three years debentures period.

DEBENTURES

The Company accounts for debentures that were issued in accordance with APB 14, SFAS 133 and EITF 00-19. Per APB 14, when warrants are detachable from the debt instrument, and the warrants are used as security for the debt instrument, the proceeds from the sale of the debt instrument and the detachable warrants should be allocated between the warrants and the debt instrument.

Paragraph 12 of Statement of Financial Accounting Standard No. 133 provides that in the case of contracts that do not in their entirety meet the definition of a derivative instrument such as bonds, insurance policies, and leases, any embedded derivative instruments shall be separated from the host contract and accounted for as a derivative instrument.

Paragraph 11(a) of Statement of Financial Accounting Standard No. 133 provides that contracts issued or held by a reporting entity that are both (1) indexed to its own stock and (2) classified in stockholders' equity in its statement of financial position, shall not be considered derivative instruments for purposes of this statement.

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SAFETEK INTERNATIONAL, INC. AND SUBSIDIARY
(A Development Stage Company)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2006
(UNAUDITED/ UNREVIEWED)

EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," provides guidance in determining whether an embedded derivative which is indexed to its own stock would be classified in stockholders' equity in accordance with paragraph 11(a) of Statement of Financial Accounting Standard No. 133 or if it was freestanding. EITF Issue No. 00-19 excludes from its classification requirements "conventional instruments".

Such instruments are defined in EITF 05-2 as: instruments that provide the holder with an option to convert into a fixed number of shares (or equivalent amount of cash at the discretion of the issuer) for which the ability to exercise the option is based on the passage of time or a contingent event should be considered "conventional" for purposes of applying Issue 00-19. Instruments that contain "standard" antidilution provisions would not preclude a conclusion that the instrument is convertible into a fixed number of shares. Standard antidilution provisions are those that result in adjustments to the conversion ratio in the event of an equity restructuring transaction (as defined in the glossary of Statement 123(R) (2) that are designed to maintain the value of the conversion option.

WARRANTS

The warrants that the Company issued are presented at their fair value and classified as liabilities, according to paragraphs 20 and 24 of EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock".

As a result of the terms of the debentures that the Company issued and since theoretically the debentures can be converted into a number of shares that will exceed the company's authorized shares if the Company's market price falls below 0.000569, (as of August 10, 2006 as reported on http://quates.nasdaq.com, the average bid and ask price was 0.01325), all convertible instruments of the Company including warrants (but excluding employee stock options) are accounted for as derivative liabilities.

INCOME TAX

The Company and its subsidiary account for income taxes in accordance with Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes". This Statement requires the use of the liability method of accounting for income taxes, whereby deferred tax asset and liability account balances are determined based on the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company and its subsidiary provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value

BASIC AND DILUTED NET EARNING (LOSS) PER SHARE

Basic and diluted net earnings and loss per common share are presented in accordance with FAS No. 128 "Earning per share" ("FAS 128"), for all periods presented. The computation of diluted EPS shall not assume conversion, exercise, or contingent issuance of securities that would have an antidilutive effect on earnings per share Outstanding warrants have been excluded from the calculation of the diluted loss per share because such securities have an anti-dilutive effect for all periods presented. The total number of shares of common stock outstanding excluded 14,566,664 warrants. The diluted net earning per share includes 3,750,000, shares and 1,125,000 shares upon a default event (calculated according the market price as of September 30 2006). Options which were cancelled were taken into consideration during the period they were outstanding.

STOCK BASED COMPENSATION

In December 2004, the Financial Accounting Standards Board ("FASB") issued the revised Statement of Financial Accounting Standards ("FAS") No. 123, "Share-Based Payment" (FAS 123R), which addresses the accounting for share-based payment transactions in which the Company obtains employee services in exchange for (a) equity instruments of the Company or (b) liabilities that are based on the fair value of the Company's equity instruments or that may be settled by the issuance of such equity instruments. The Statement will be effective as of the beginning of the first interim or annual reporting period that begins after December 15, 2005, for small business issuers. The Company decided to adopt FAS 123R and to reflect the fair value of the options granted to employees during the year 2005.

SAFETEK INTERNATIONAL, INC. AND SUBSIDIARY
(A Development Stage Company)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2006
(UNAUDITED/ UNREVIEWED)

NOTE 4: BIOLOGICAL MATERIALS SUPPLY INVENTORY

On March 27, 2006 the Company exercised its right that was given to it in a Letter Agreement dated December 1, 2005 to purchase certain biological materials from Serapis Biotech Ltd ("Serapis") for a purchase price of $100,000 plus value added tax (VAT). The purchase price was paid by the forgiveness of $29,906 debt owed to the Company, and 12 equal monthly payments, with the first payment on the signing date. With these biological materials, the Company intended to develop a technology that will assist and accelerate the identification of new generation of lead compounds stimulating the activity of muscarinic receptors for the development of new therapies for variety of diseases such as Alzheimer's disease, glaucoma, and over active bladder.

The Company intent to negotiate with Serapis on canceling the transaction.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2006:

	Useful Life	
Computer Equipment & Hardware	3	$ 6,679
Office Furniture and Equipment	7	4,715
Leasehold Improvement	2	2,854
Communication	6.7	1,660
Total		20,318
Accumulated depreciation		(4,652)
Property and Equipment, Net		$ 11,256

Depreciation expense totaled $5,140 and $1,708 in the nine and the three months ended June 30, 2006, respectively.

The Company depreciates the website cost as a result of absence of use.

SAFETEK INTERNATIONAL, INC. AND SUBSIDIARY
(A Development Stage Company)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2006
(UNAUDITED/ UNREVIEWED)

NOTE 6: ACCOUNTS PAYABLE

Consist of $37,397 of old debt from the Company's business activity from the years 2001- 2003, $20,412 for legal advisory and $64,242 owed to Serapis for biological materials that the Company purchased.

NOTE 7: ACCRUED EXPENSES

Consist of accrued interest,, payments to advisors, legal fees and office and general expenses..

NOTE 8: LOANS PAYABLE

The Company has a total of $69,647 of loans payable as of June 30, 2006 which is due on demand and is non-interest bearing.

NOTE 9: REDEEMABLE CONVERTIBLE PREFERRED STOCK

The Company's redeemable convertible preferred stock were issued prior to 2001. The shares may be converted to common shares at a rate of one-half common share for each preferred stock and were redeemable on February 21, 2002 at $50 per share. The shares are presented at their obligation amount of $232,400 associated with the redemption feature.

NOTE 10: DEBENTURES AND EMBEDDED DERIVATIVE INSTRUMENTS (2005)

On November 18, 2005 the Company signed an agreement with 4 investors (together, the "Investors") to issue an aggregate of $750,000 as convertible debentures (the "Notes") due three years after issuance. The issuance is to be made in three installments, the first, in the amount of $250,000 was received upon signing the definitive investment agreements, the second in the amount of $250,000 was received upon the filing of a registration statement covering the shares underlying the Notes and the warrants referred to below. On July 10, 2006, the Company filed a prospectus under Rule 424(b) (3) of the Securities Act of 1933 and issued an additional $250,000 of such Notes.

The Notes bear interest at the rate of 8% per annum payable quarterly in cash. Interest on delayed payments shall be 15% annually. No interest shall be due and payable for any month in which the trading price is greater than $0.1875 for each trading day of the month.

The Notes can be immediately convertible into shares of the Company's common stock. The conversion price will be equal to the lesser of: (i) $0.15 and (ii) the average of the lowest 3 intra-day trading prices during the 20 trading days immediately prior to the conversion date discounted by 50%.

In addition, the Company issued to the Investors 1,000,000 warrants with an exercise price of $0.30.

According to the agreement, the Company was obligated to file, on or prior to thirty days from November 18, 2005, a registration statement, to register the shares of common stock underlying the Notes and warrants issued to the investors and to receive the effectiveness of the registration statement. The Company has been delayed in its obligation and is currently in default. As a result, the Company will have to pay penalties at a rate of 2% of the outstanding amount of debentures for each month of delay. The penalties can be paid in cash or at the

Company's option, in shares of common stock priced at the conversion price (as defined in the Notes) on such payment date. The Company notified the debentures holders of the delay in filing.

At a default event the holders of a majority of the aggregate principal amount of the outstanding Notes issued have the option to ask for immediate due and payable and the Company shall pay to the holders, an amount equal to the greater of (i) 130% times the sum of the outstanding principal amount, plus accrued and unpaid interest on the unpaid principal amount, plus default interest, if any, and/or any other amounts owed to the holders under the Registration Rights Agreement or (ii) the highest number of shares of common stock issuable upon conversion of or otherwise pursuant to such default sum in accordance with the trading day immediately preceding the mandatory prepayment date as the "Conversion Date" for purposes of determining the lowest applicable Conversion Price, unless the Default Event arises as a result of a breach in respect of a specific Conversion Date in which case such Conversion Date shall be the Conversion Date), multiplied by (b) the highest Closing Price for the Common Stock during the period beginning on the date of first occurrence of the Event of Default and ending one day prior to the Mandatory Prepayment Date. Because of the delay in filing the registration statement the Company is also in a delay in declaration of effectiveness by the Securities and Exchange Commission. The Company received effectiveness of the registration statement on July 10, 2006.

The Company applied the provisions of APB 14 and allocated the proceeds to the detachable warrants and the convertible notes based on their respective fair values. The Company further evaluated the convertible notes to determine if they contain derivatives that warrant bifurcation. The Company concluded that in accordance with EITF 05-2 the convertible debentures do not meet the definition of conventional convertible debt instruments for purposes of evaluating the existence of embedded derivatives under EITF 00-19. The Company further concluded that as a freestanding derivative, the embedded feature would not be classified as equity under EITF 00-19, and as such, determined that the embedded feature needs to be bifurcated from the host contract.

In addition, the Company determined that the liquidated damages clause contained in the registration rights agreement needs to be bifurcated as well. The clause requires the Company to pay 2% per month of the outstanding principal amount of the debentures, in cash, to the debenture holders in the event that a registration statement covering the shares underlying the convertible debentures is not declared effective within 120 days of the date the debentures were issued. The probability that the holders will announce a default event is remote due to the economic motivation to receive registered shares.

The Company also determined that a contingent interest payment feature exists and needs to be bifurcated from the host instrument. That feature exempts the Company from having to pay the stated interest on the debentures if the stock price reaches a price of $0.1875. In order to evaluate the embedded derivatives, the Company estimated the fair market values using the Binomial model and the Black - Scholes model. Since the Company is in default and since the fair value of the embedded feature exceeded the value of the debt, the Company presented the excess derivative liability separate from the debentures.

Because there is a possibility that the Company will be required to issue more shares then are authorized, the Company recorded the warrants as a derivative liability.

During the three months ended September 30, 2006, the Company converted debentures notes at amount of $74,610, and issued 16,000,000 shares.

The Company remeasured the embedded features in the debentures as of September 30, 2006 to reflect their updated fair value. The Company also updated the allowance it made for possible penalties due to not filing on time the registration statement on time as disclosed above, and remeasured the derivative liability for the fair value of the detachable warrants.

The fair value of the derivative liability relating to the convertible debentures at September 30, 2006 is $1,220,777. The Company recorded $587,214 as the fair value of $250,000 debentures that were issued on July 16, 2006, and charged $136,338 as derivative liability income to adjust the fair value as of September 30, 2006. The fair value of the detachable warrants is $239. The Company recorded $14,598 as the fair value of the detachable warrants to the debentures that were issued in July 16, 2006 and charged $12,495 as a derivative liability income to adjust the fair value as of September 30, 2006. The Derivative Liability - convertible debentures and warrants detachable are presented together in amount of $1,273,642.

The following assumptions were used for purposes of determining the fair value of the features at June 30, 2006:

	July 16, 2006	September 30, 2006
Exercise price	The lower of $0.15 or 50% of the market price	
Expected dividend yield	0%	0%
Expected volatility	312%	326%
Risk free interest rate	5%	5%
Expected life of Derivative liability	3 years	3 years

The following weighted average assumptions were used for determining the fair value of the freestanding warrants at June 30, 2006:

	June 30, 2006
Exercise price	$0.3
Expected dividend yield	0%
Expected volatility	326%
Risk free interest rate	5%
Expected life	5 years

September 30, 2006
(UNAUDITED/ UNREVIEWED)

The Company remeasured the class A and class B warrants that it issued during 2005. As a result of the remeasurment, the Company recorded the Class A warrants at September 30, 2006 at $8,379 and the class B at $21,088. As a result, the Company charged derivative liabilities income of $527,743.

NOTE 11: STOCKHOLDERS' EQUITY

A. Capital Stock

During the nine months ended September 30, 2006, the Company issued 16,000,000 shares as a result of conversion of $74,610 of the debentures notes.

B. Warrants

A summary of the warrant activity for the six months ended June30, 2006 is as follows (there were no warrants outstanding in 2004):

	Shares Underlying Warrants	Weighted Average Exercise Price
		$
Outstanding at January 1, 2006	14,233,332	1.23
Granted	-	-
Forfeited	-	-
Outstanding at March 31, 2006	14,233,332	1.23
Warrants exercisable at March 31, 2006	14,233,332	1.23
Outstanding at April 1, 2006	14,233,332	1.207
Granted	333,333	-
Forfeited	-	-
Outstanding June 30, 2006	14,566,665	1.207
Warrants exercisable at June, 2006	14,566,665	1.207

The following table summarizes information concerning warrants outstanding at June 30, 2006:

Number Out standing	Weighted Average Exercise Price
	$
6,950,000	1
6,950,000	1.5
666,665	0.3
14,566,665	1.23

As described in note 10, the Company presented the warrants as derivative liabilities according to EITF 00-19.

The following assumptions were used in calculating the fair value at September 30, 2006:
Dividend yield - 0%,
Expected volatility - 326%,
Risk free interest rate - 5%.

As a result of the remeasurment, the Company recorded the Class A warrants at June 30, 2006 at $8,379 and the class B at $21,088. The Company charged derivative liabilities income of $527,743.

C. Stock Options to Employees

The Company follows fair value accounting and the related provisions of SFAS No. 123R for all share based payment awards. The fair value of each option or warrant granted is estimated on the date of grant using the Black-Scholes option-pricing model. The following is a summary of all stock options granted to employees.

	Shares Underlying Options	Weighted Average Exercise Price $
Outstanding at July 1, 2006	4,787,003	0.154
Granted	-	-
Forfeited	4,787,003	0.154
Outstanding at September 30, 2006	-	-
Options exercisable at September 30, 2006	-	-

On August 23, 2006, the Board accepted the resignation of Amnon Presler from his positions as a director, President and Chief Executive. On October 28, 2006, the Board of Directors accepted the resignation of Tamar Tzaban Nahomov from her positions as a director and Chief Financial officer of the Registrant and its wholly owned subsidiary, Oriens Life Sciences (Israel) Ltd., effective as of October 30, 2006.Subsequently options that were granted to them forfeited in a value of $1,134,925 pursuant to SFAS 123R were forfeited.

NOTE 12: BUSINESS DEVELOPMENT COSTS

Business development costs primarily consist of $75,000 payment to Matrix as a consideration for an option to an Exclusive Patent and Know How License to Thrombin Inhibitor compounds. The Company decided not to exercise the option, because the technologies are in pre-development stage and will require a significant amount of capital to bring them to market.

Upon termination of the agreement the company is entitled to receive from Matrix partial reimbursement of its investment if Matrix will commercialize the compounds.

NOTE 13: SUBSEQUENT EVENTS

On October 28, 2006, the Board of Directors accepted the resignation of Tamar Tzaban Nahomov from her positions as a director and Chief Financial officer of the Registrant and its wholly owned subsidiary, Oriens Life Sciences (Israel) Ltd., effective as of October 30, 2006, and appointed Shmuel Shneibalg as Chief Executive Officer and as a director of the Registrant and its wholly owned subsidiary. From May 2001 until April 2005, Mr. Shniebalg served as Chairman, Chief Executive Officer, Secretary and Director of the Company.

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

As used in this Form 10-QSB, references to "Safetek", the "Company," "we," "our" or "us" refer to Safetek International, Inc. unless the context otherwise indicates.

Forward-Looking Statements

The following discussion should be read in conjunction with our financial statements, which are included elsewhere in this Form 10-QSB. We and our representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in our filings with the United States Securities and Exchange Commission and in our reports to shareholders. Generally, the inclusion of the words "believe", "expect", "intend", "estimate", "anticipate", "will", and similar expressions or the converse thereof, identify statements that constitute "forward-looking statements". These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements as a result of a number of risks and uncertainties, including the following: risks and uncertainties related to general economic conditions; the inability to raise sufficient funding; changes in business strategy or development plans; the inability to retain management; the availability of qualified personnel; the availability, terms and deployment of capital; and the business abilities and judgment of personnel.

Our History

We were incorporated in April, 1988, in the state of Delaware under the name Theoretics, Inc. In January, 1989, we changed our name to Safetek International, Inc. Until May, 2001, we manufactured prototypes and distributed the final product on behalf of technology developers. We reorganized in May 2001 for the purpose of providing embryonic companies with concepts and patented ideas.

Since December 31, 2002, we have not had any products, services or business operations. Commencing on April 15, 2005, we began focusing on screening new technologies and other business opportunities in the life sciences and health care fields. On May 17, 2005, we established an Israeli wholly owned subsidiary under the laws of the State of Israel, called "Oriens Life Sciences Ltd. (the "Subsidiary") , to serve as a platform for us to screen the Israeli life sciences and health care industry and identify, analyze, and acquire or invest in technologies in this field. During the fiscal year ended December 31, 2005, we signed four term sheets to purchase technologies in the life science field, but we have since abandoned such term sheets.

We are no longer restricting our focus on business opportunities in the life sciences and health care fields. Instead, we have determined to investigate, and if warranted, acquire an interest in any promising business opportunity, and we are not restricting our search to any particular industry or geographical area. We may therefore engage in essentially any business in any industry. Our management has unrestricted discretion in seeking and participating in a business opportunity, subject to the availability of such opportunities, economic conditions and other relevant factors.

We have issued convertible debentures and warrants to fund our ongoing operations. On November 18, 2005, we signed an agreement with four investors (together, the "Investors") to issue an aggregate of $750,000 as convertible debentures (the "Notes") due three years after issuance. The issuance was to be made in three installments: (i) the first, in the amount of $250,000, was received upon signing the definitive investment agreements; (ii) the second, in the amount of $250,000, was received on May 16, 2006, upon our filing of a registration statement covering the shares underlying the Notes and the warrants referred to below; and (iii) the third, in the amount of $250,000, was received On July 10, 2006, upon our filing of a prospectus under Rule 424(b) (3) of the Securities Act of 1933. The Notes bear interest at the rate of 8% per annum payable quarterly in cash. Interest on delayed payments shall be 15% annually. No interest shall be due and payable for any month in which the trading price is greater than $0.1875 for each trading day of the month.

The Notes can be immediately convertible into shares of our Company's common stock. The conversion price will be equal to the lesser of: (i) $0.15 and (ii) the average of the lowest 3 intra-day trading prices during the 20 trading days immediately prior to the conversion date discounted by 50%.

In addition, we issued to the Investors 1,000,000 warrants with an exercise price of $0.30.

Plan of Operation

Over the next twelve months, we will continue to seek to investigate business opportunities. We anticipate that business opportunities may arise from various sources, including officers and directors, professional advisers, securities broker-dealers, venture capitalists, members of the financial community, and others who may present unsolicited proposals. We will seek potential business opportunities from all known sources, but will rely principally on the personal contacts of our officers and directors as well as indirect associations between them and other business and professional people. Although we do not anticipate engaging professional firms specializing in business acquisitions or reorganizations, we may retain such firms if management deems it in our best interests. In some instances, we may publish notices or advertisements seeking a potential business opportunity in financial or trade publications.

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We will not restrict our search to any particular business, industry or geographical location. We may acquire a business opportunity in any stage of development. This includes opportunities involving "start up" or new companies. In analyzing prospective business opportunities, we will consider the following factors: available technical, financial and managerial resources; working capital and other financial requirements; the history of operations, if any; prospects for the future; the nature of present and expected competition; the quality and experience of management services which may be available and the depth of the management; the potential for further research, development or exploration; the potential for growth and expansion; the potential for profit; the perceived public recognition or acceptance of products, services, trade or service marks, name identification; and other relevant factors. Generally, our management will analyze all available factors and make a determination based upon a composite of available facts, without relying on any single factor.

We will review specific business opportunities and then select the most suitable opportunities based on legal structure or method of participation. Such structures and methods may include, but are not limited to, leases, purchase and sale agreements, licenses, joint ventures, other contractual arrangements, and may involve a reorganization, merger or consolidation transaction. We may act directly or indirectly through an interest in a partnership, corporation, or other form of organization.

As part of our investigation of business opportunities, officers and directors may meet personally with management and key personnel of the firm sponsoring the business opportunity. We may visit and inspect material facilities, obtain independent analysis or verification of certain information provided, check references of management and key personnel, and conduct other reasonable measures.

We will generally ask to be provided with written materials regarding the business opportunity. These materials may include the following: descriptions of product, service and company history; management resumes; financial information; available projections with related assumptions upon which they are based; an explanation of proprietary products and services; evidence of existing patents, trademarks or service marks or rights thereto; present and proposed forms of compensation to management; a description of transactions between the prospective entity and its affiliates; relevant analysis of risks and competitive conditions; a financial plan of operation and estimated capital requirements; and other information deemed relevant.

As of September 30, 2006, we had $54,596 in cash and an accumulated deficit of $5,890,155. We expect that we will need to raise funds in order to effectuate our business plans. There can be no assurance that additional capital will be available to us. Although we generally intend to raise additional funds, we have no specific plans, understandings or agreements with respect to the raising of such funds. We currently have no agreements, arrangements or understandings with any person to obtain funds through bank loans, lines of credit or any other sources. We may have to issue debt or equity or enter into a strategic arrangement with a third party.

Going Concern Consideration

The financial statements contained in this Report have been prepared on a `going concern' basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the reasons discussed in this Report, there is a significant risk that we will be unable to continue as a going concern, in which case, our shareholders would suffer a total loss on their investment in our Company.

Off-Balance Sheet Arrangements

None.

Item 3. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the United States Securities and Exchange Commission. Our Chief Executive Officer and Chief Financial Officer have reviewed the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c)) within the end of the period covered by this Quarterly Report on Form 10-QSB and have concluded that the disclosure controls and procedures are effective to ensure that material information relating to the Company is recorded, processed, summarized, and reported in a timely manner. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the last day they were evaluated by our Chief Executive Officer and Chief Financial Officer.

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the last quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

There are no pending legal proceedings to which the Company is a party or in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of voting securities of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company. The Company's property is not the subject of any pending legal proceedings.

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

None.

Purchases of equity securities by the issuer and affiliated purchasers

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

There was no matter submitted to a vote of security holders during the fiscal quarter ended September 30, 2006.

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit No.	Description	Where Found

31.1	Rule 13a-14(a)/15d14(a) Certifications	Attached Hereto
32.1	Section 1350 Certifications	Attached Hereto

SIGNATURES

In accordance with to requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 17, 2006

SAFETEK INTERNATIONAL, INC.

By: /s/ Shmuel Shneibalg

Name: Shmuel Shneibalg
Title: Chief Executive Officer and Director (Principal Executive, Financial, and Accounting Officer)