IT&E INTERNATIONAL GROUP
Form 10QSB
November 15, 2004

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 quarterly period ended September 30, 2004.

[ ] Transition Report under Section 13 or 15(d)of the Exchange Act For the Transition Period from ________ to ___________

Commission File Number: 000-50095

IT&E International Group

(Exact name of small business issuer as specified in its charter)

Nevada	27-0009939
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

505 Lomas Santa Fe Drive, Suite 200, Solana Beach, CA	92075
(Address of principal executive offices)	(zip code)

Issuers telephone number: 858-366-0970

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or 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 [ ]

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDING DURING THE PRECEDING FIVE YEARS

Check whether the Registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

Common Stock, $0.001 par value per share, 70,000,000 shares authorized, 19,000,000 issued and outstanding as of September 30, 2004. Preferred Stock, $0.001 par value per share, 5,000,000 shares authorized, 2,820,000 issued and outstanding as of September 30, 2004.

Traditional Small Business Disclosure Format (check one)

Yes [ ] No [X]

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND EXHIBITS

As prescribed by Item 310 of Regulation S-B, the independent auditor has reviewed these unaudited interim financial statements of the registrant for the nine months ended September 30, 2004. The financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim period presented. The unaudited financial statements of registrant for the nine months ended

September 30, 2004, follow.

IT&E Corporation
Balance Sheet
(Unaudited)

BALANCE SHEET

	September 30, 2004
Assets	
Current assets	
Cash	$ 291,760
Accounts receivable, net of allowance for doubtful accounts of $69,703	2,082,356
Unbilled revenue	354,039
Prepaid and other current assets	56,888
Advances to employees	27,984
Investments	176,109
Total current assets	2,989,136
Fixed assets, net	93,501
Deposits	41,579
	$ 3,124,216
Liabilities and Stockholders' Equity	
Current Liabilities:	
Line of credit - bank	$ 1,494,150
Accounts payable	453,156
Accrued payroll and employee benefits	548,126
Other current liabilities	23,779
State income tax payable	4,600
Total current liabilities	2,523,811
Stockholders' equity:	
Preferred stock, Series A, $.001 par value, 5,000,000 shares authorized, no shares issued and outstanding	-
Preferred stock, Series B, $.001 par value, 5,000,000 shares authorized, no shares issued and outstanding	-
Preferred stock, Series C, $.001 par value, 5,000,000 shares authorized, 2,820,000 shares issued and outstanding	2,820
Common stock, $.001 par value, 70,000,000 shares authorized, 19,000,000 shares issued and outstanding	19,000
Additional paid-in capital	352,860
Retained earnings	225,725
	600,405

$ 3,124,216

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

IT&E Corporation
Statements of Operations
(Unaudited)

STATEMENTS OF OPERATIONS

	For the three months ended September 30, 2004	For the three months ended September 30, 2003	For the nine months ended September 30, 2004	For the nine months ended September 30, 2003
Revenue	$ 3,038,582	$ 2,570,229	$ 9,404,394	$ 7,221,941
Cost of revenue	2,410,783	1,550,390	6,693,321	4,444,606
Gross profit	627,799	1,019,839	2,711,073	2,777,335
Operating expenses:				
General and administrative expenses	853,223	892,834	2,519,828	2,359,947
Sales and marketing expenses	42,982	8,521	67,819	28,374
Depreciation expense	4,677	4,608	14,314	13,411
Officer salaries	66,731	60,000	186,731	180,000
Total operating expenses	967,613	965,963	2,788,692	2,581,732
Net operating income	(339,814)	53,876	(77,619)	195,603
Other income (expense):				
Other income	-	4,220	-	11,453
Other (expenses)	(76,397)	(6,712)	(136,912)	(41,952)
Interest expense	(18,569)	(9,106)	(49,032)	(15,259)
Total other income (expense)	(94,966)	(11,598)	(185,944)	(45,758)
Income before provision for income taxes	(434,780)	42,278	(263,563)	149,845
Provision for state income taxes	-	-	-	-
Net income (Loss)	$ (434,780)	$ 42,278	$ (263,563)	$ 149,845
Weighted average number of common shares outstanding - basic and fully diluted	19,000,000	481,500	19,000,000	273,930

Net income per share -

basic and fully diluted	$ (0.02)	$ 0.09	$ (0.01)	$ 0.55

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

IT&E Corporation
Statement of Cash Flow
(Unaudited)

STATEMENT OF CASH FLOWS

	For the nine months ended September 30, 2004	2003
Cash flows from operating activities		
Net income	$ (263,563)	$ 149,846
Adjustments to reconcile net (loss) to net cash (used) by operating activities:		
Depreciation expense	14,314	13,411
Loss on disposal of fixed assets	-	-
Changes in operating assets:		
Accounts receivable	(600,881)	(885,443)
Prepaid and other current assets	(31,895)	66,829
Advances to employees	18,987	(33,687)
Accounts payable & Accrued Liabilities	306,175	20,350
Accrued payroll and employee benefits	252,565	36,305
Other current liabilities	-	-
State franchise tax payable	-	-
Net cash (used) by operating activities	(304,298)	(602,389)
Cash flows from investing activities		
Purchase of fixed assets	(41,197)	(12,164)
Deposits	(18,196)	3,874
Investment in Valtrek J.V.	(160,109)	-
Net cash (used) by investing activities	(219,502)	(8,290)
Cash flows from financing activities		
Advances to shareholders	-	(2,594)
Proceeds from AFG financing	20,039	-
Proceeds from line of credit, net	639,135	550,000
Payments made on loan to former shareholder	-	(36,400)
Distributions to shareholders	(16,850)	-
Net cash provided by financing activities	642,324	511,006
Net increase in cash	118,524	(99.673)
Cash - beginning	173,236	160,036

Cash - ending	$ 291,760	$ 60,363
Supplemental disclosures:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

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

IT&E Corporation
Notes to financial statements

Note 1 - Basis of presentation

The consolidated interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated interim financial statements be read in conjunction with the consolidated financial statements of the Company for the period ended December 31, 2003 and notes thereto. The Company follows the same accounting policies in the preparation of consolidated interim reports.

Results of operations for the interim periods are not indicative of annual results.

Note 2 - Fixed assets

Depreciation expense totaled $14,314 and $13,411 for the nine-month periods ended September 30, 2004 and 2003, respectively.

Note 3 - Line of credit - bank

The Company has a $1,500,000 renewable line of credit with a commercial bank. The line bears interest at the bank's prime rate plus 1%. There was an outstanding balance as of September 30, 2004 of $1,494,150. The line expires on November 1, 2004, and is guaranteed by all of the assets of the Company and the personal guarantees of the stockholders. The line has certain financial covenants.

The Company recorded interest expense of $49,032 for the nine months ended September 30, 2004 and $15,259 for the nine months ended September 30, 2003.

Note 4 - Warrants and options

On April 13, 2004, the Company issued 2,000,000 warrants to several individuals for cash totaling $2,000. The warrants are convertible on a one-for-one basis at a price to be agreed upon on the exercise date by the Company's board of directors and the warrant holders. The exercise date is not sooner than one year and not later than five years.

IT&E Corporation
Notes to financial statements

Note 5 - Reverse Merger

On April 14, 2004, the Company ("IT&E"), Clinical Trials Assistance Corporation, a Nevada corporation (the "Registrant") or ("CTAL"), and Clinical Trials Assistance Acquisition Corporation, a Nevada corporation ("Merger Sub"), entered into an Acquisition Agreement and Plan of Merger (collectively the "Agreement") pursuant to which the Registrant, through its wholly-owned subsidiary, Merger Sub, acquired IT&E in exchange for 11,000,000 shares of the Registrant's common stock which were issued to the holders of IT&E stock and 2,820,000 preferred shares, which are convertible on a ten-for-one basis into CTAL $0.001 par value common stock, after they are held for two years (the "Merger"). Immediately after the Acquisition was consummated and further to the Agreement, Kamill Rohny, the controlling stockholder of the Registrant, cancelled 28,000,000 shares of the Registrant's Common Stock held by him (the "Cancellation"). The transaction contemplated by the Agreement was intended to be a "tax-free" reorganization pursuant to the provisions of Section 351 and 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended.

The stockholders of IT&E (six stockholders owning 481,500 shares), who unanimously approved the acquisition as of the closing date of the Merger and after giving effect to the Cancellation, now own approximately 80% of the Registrant's common stock outstanding as of June 10, 2004. This figure is based on the issuance of 9,000,000 shares of $0.001 par value common stock and the share dilution upon conversion of the 2,000,000 warrants into common stock.

For accounting purposes, this transaction was being accounted for as a reverse merger, since the stockholders of IT&E own a majority of the issued and outstanding shares of common stock of the Registrant, and the directors and executive officers of IT&E became the directors and executive officers of the Registrant.

Note 6 - Subsequent events

On October 19, 2004 the Company completed a private placement transaction for the sale of $5,000,000 newly issued convertible notes to Laurus Master Fund, Ltd., a New York based institutional fund that specialized in direct investments in growing, small and micro-cap companies. The financing consisted of two facilities: A $2.5 million facility that was used to pay off the company's then current Senior Credit Facility with Bank of Walnut Creek, for $1.5 million and the remaining $1.0 million, net of transaction fees used for grow working capital; the second facility is a $2.5 million convertible note which is to be used towards either additional internal growth working capital requirements or towards a strategic acquisition, which is a part of the company's strategic long-term growth plans. The transaction also provides Laurus Funds an additional right to invest up to an additional $2.0 million prior to July 15, 2005, at their option also to be used towards a strategic acquisition.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF PLAN OF OPERATIONS

IT&E International, Inc. is a leading provider of a broad range of services to the Life Sciences Industries. The company operates in two main divisions: The Regulatory Affairs Division; and the Clinical Services & Solutions Division.

The Regulatory Affairs Division provides services to pharmaceutical, biotech, healthcare and other Life Science Companies providing to them the expertise to evaluate, structure, implement and maintain effective quality programs and processes that ensure compliance with applicable FDA regulations. This Division offers a diverse all encompassing solution for the validation and compliance of quality systems, lab and manufacturing processes, clinical

data systems, laboratory automation, content management, electronic document management, and a complete solution for facilities, utilities and equipment validation and compliance.

The Clinical Services and Solutions Division offers a full suite of clinical trial support services. The services offerings include patient and investigator recruitment, biostatistical analysis, data management, data entry and verification and regulatory affairs services. In data management, the group provides case report form design, protocol development, data entry and verification, full tracking and audit trail documentation, adverse event reporting and FDA submission. The biostat group provides data mining studies, data base design, representation at FDA and other regulatory meetings, and additional specialized biostatistical analysis.

Results of Operations

As of September 30, 2004, the Company's current assets exceeded its current liabilities by approximately $465,325.

For the nine months ended September 30, 2004, the Company generated revenues of $9,404,394 as compared to $7,221,941 in revenues for the same period last year. The cost of revenue for the nine months ended September 30, 2004 was $6,693,321 or 71% of revenues as compared to $4,444,606 or 62% of revenues. The increase in cost of revenue exceeded management's expectations. Total operating expenses for the nine months ended September 30, 2004 were $2,788,692 or 30% of revenues as compared to $2,581,732 or 35% of revenues for the same period last year. The operating expenses were in line with management's expectations based. For the nine months ended September 30, 2004, the Company had a net loss of $(263,563) or $(0.01) per share versus net income $149,845 or $0.55 per share for the same period last year. The decrease in net income per share was based on 273,930 shares issued and outstanding last year as compared to 19,000,000 shares issued and outstanding this year.

For the three months ended September 30, 2004, the Company had revenues of $3,038,582 as compared to $2,570,229 in revenues for the same period last year. The cost of revenue for the three months ended September 30, 2004 was $2,410,783 or 79% of revenues as compared to $1,550,390 or 60% of revenues. Total operating expenses for the three months ended September 30, 2004 were $967,613 or 32% of revenues as compared to $965,963 or 37% of revenues for the same period last year. For the three months ended September 30, 2004, the Company had a net loss of $(434,780) or $(0.02) per share versus net income $42,278 or $0.09 per share for the same period last year.

Results of operations for the interim periods are not indicative of annual results.

Plan of Operation

IT&E International is a for-profit lifesciences organization focused on providing its clients with solutions to complex needs in clinical research and regulatory compliance.

Management is in the process of seeking other businesses to acquire so that it can expand its operations. The analysis of new businesses opportunities and evaluating new business strategies will be undertaken by or under the supervision of the Company's directors. In analyzing prospective businesses opportunities, management will consider, to the extent applicable, the available technical, financial and managerial resources of any given business venture. Management will also consider the nature of present and expected competition; potential advances in research and development or exploration; the potential for growth and expansion; the likelihood of sustaining a profit within given time frames; the perceived public recognition or acceptance of products, services, trade or service marks; name identification; and other relevant factors. The Company anticipates that the results of operations of a specific business venture may not necessarily be indicative of the potential for future earnings, which may be impacted by a change in marketing strategies, business expansion, modifying product emphasis, changing or substantially augmenting management, and other factors.

Management will analyze all relevant factors and make a determination based on a composite of available information, without reliance on any single factor. The period within which the Company will decide to participate in a given business venture cannot be predicted and will depend on certain factors, including the time involved in identifying businesses, the time required for the Company to complete its analysis of such businesses, the time required to prepare appropriate documentation and other circumstances.

RISK FACTORS

We operate in a market that is highly competitive, and if we are unable to compete successfully, our revenue could decline and we may be unable to gain market share.

The market for life science outsourcing is relatively new and highly competitive. Our future success will depend on our ability to adapt to changing technologies, evolving industry standards, product offerings, evolving demands of the marketplace and to expand our customer base through long-term contracts.

Some of our competitors have:

- longer operating histories;
- larger customer bases;
- more experience in completing clinical trials in order to obtain regulatory approvals;
- greater marketing capabilities;
- greater name recognition and longer relationships with clients; and
- significantly greater financial, technical, marketing and public relations resources than IT&E.

Our competitors may also be better positioned to address technological and market developments or may react more favorably to technological changes. We compete on the basis of a number of factors, including;

- breadth and quality of services;
- creative design and systems engineering expertise;
- pricing;
- technological innovation; and
- understanding clients' strategies and needs.

If we fail to gain market share or lose existing market share, our financial condition, operating results and business could be adversely affected and the value of the investment in us could be reduced significantly. We may not have the financial resources, technical expertise or marketing, distribution or support capabilities to compete successfully.

We may not be able to attract, retain or integrate key personnel, which may prevent us from successfully operating our business.

We may not be able to retain our key personnel or attract other qualified personnel in the future. Our success will depend upon the continued service of key management personnel. The loss of services of any of the key members of our management team or our failure to attract and retain other key personnel could disrupt operations and have a negative effect on employee productivity and morale and harm our financial results.

We may be responsible for maintaining sensitive patient information, and any unauthorized use or disclosure could result in substantial damage and harm to our reputation.

We collect and utilize data derived from various sources to recruit patients for clinical studies. We have access to names and addresses of potential patients who may participate in these studies. As a result, we know what studies are taking place, and who may be participating in these studies. In order to deliver a targeted mail program, we compile specific demographic information. We must protect this information to circumvent privacy concerns. The information keyed to a specific disease state could be inadvertently disclosed without the consent of the patient. Due to these privacy concerns, we must take steps to ensure patient lists remain confidential. Any unauthorized disclosure or use could result in a claim against us for substantial damages and could harm our reputation. There can be no assurance that any protection will be available for such data or that others will not claim rights to such data.

If we do not adequately protect our intellectual property, our business may suffer, we may lose revenue or we may be required to spend significant time and resources to defend our intellectual property rights.

We rely on a combination of copyright, trademark, trade secrets, confidentiality procedures and contractual procedures to protect our intellectual property rights. If we are unable to adequately protect our intellectual property, our business may suffer from the piracy of our technology and the associated loss in revenue. Any copyrights that we may hold may not sufficiently protect our intellectual property and may be challenged by third parties. The more widely we employ successful recruiting methods, the more likely these methods will become vulnerable to duplication. Other parties may also independently develop similar or competing methods or services that do not infringe upon our intellectual property rights. These infringement claims or any future claims could cause us to spend significant time and money to defend our intellectual property rights, redesign our products or develop or license a substitute technology. We may be unsuccessful in acquiring or developing substitute technology and any required license may be unavailable on commercially reasonable terms, if at all. In the event of litigation to determine the validity of any third party claims or claims by us against such third party, such litigation, whether or not determined in our favor, could result in significant expense and divert the efforts of our technical and management personnel, regardless of the outcome of such litigation.

12

Government regulation could adversely effect our profitability.

Many of our services, including patient recruitment, are subject to government regulation. For example, our brochures and advertisements to recruit patients are subject to a Independent Board Review and subsequent approval from the physician researchers. Although we expect to obtain all required federal and state permits, licenses, and bonds to operate our business, there can be no assurance that we will obtain the necessary approvals, which may significantly impact our revenues and profits. Further, there can be no assurances that our business will not be subject to more restrictive regulation.

Future sales of our common stock may cause the market price of our common stock to decline.

As of September 30, 2004, there were approximately 19,000,000 shares of common stock outstanding, of which approximately 11,000,000 are restricted securities under the Securities Act which are held by our affiliates. These restricted securities will be eligible for sale from time to time upon expiration of applicable holding periods under Rule 144 under the Securities Act. If these holders sell in the public market, these sales could cause the market price of our common stock to decline. This also could make it more difficult for us to raise funds through future offerings of our common stock.

Issuance of stock to fund our operations may dilute your investment and reduce your equity interest.

We may need to raise capital in the future. Any equity financing may have significant dilutive effect to stockholders and a material decrease in stockholders' equity interest in IT&E. We may be required to raise capital, at time and in amount, which are uncertain, especially under the current capital market conditions, and on undesirable terms. At its sole discretion, the board of directors may issue additional securities without seeking stockholder approval.

We may pursue strategic acquisitions or investments in new markets and may encounter risks associated with these activities that could harm our business and operating results.

We may pursue acquisitions of, or investments in, businesses and assets in new markets that we believe will complement or expand our existing business or our customer base. Our acquisition strategy involves a number of risks, including:

- o difficulty in successfully integrating acquired operations, personnel, technology, customers, partner relationships, services and businesses with our operations;

- o loss of key employees of acquired operations or inability to hire key employees necessary for our expansion;

- o diversion of our capital and management attention away from other business issues;

- o an increase in our expenses and working capital requirements; and

- o other financial risks, such as potential liabilities of the businesses we acquire.

Our growth may be limited and our competitive position may be harmed if we are unable to identify, finance and complete future acquisitions. We believe that further expansion may be a prerequisite to our long-term success as some of our competitors have larger operations, higher revenues and greater financial resources than us. There can be no assurance that we will be able to identify, negotiate or finance future acquisitions successfully. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities, amortization expenses related to goodwill and other intangible assets, a decrease in profitability, or future losses. The incurrence of debt in connection with any future acquisitions could restrict our ability to obtain working capital or other financing necessary to operate our business. Our future acquisitions or investments may not be successful, and if we fail to realize the anticipated benefits of these acquisitions reinvestments, our business and operating results could be harmed.

The actual or anticipated resale by the selling stockholders of shares of our common stock may cause the market price of our common stock to decline.

The resale of our common stock by the selling stockholders through open market transactions or other means may, depending upon the timing of the resales, depress the market price of our common stock. Moreover, actual or anticipated downward pressure on the market price of our common stock due to actual or anticipated resales of our common stock could cause some institutions or individuals to engage in short sales of our common stock, which may itself cause the market price of our common stock to decline.

Liquidity and Capital Resources

On October 18, 2004, the Registrant, entered into a Securities Purchase Agreement with and Laurus Master Funds, Ltd., an accredited investor. Pursuant to the Agreement, the Registrant sold to Laurus a Secured Convertible Term Note in an aggregate principal amount of $5,000,000 and issued a warrant to purchase up to 1,924,000 shares of the Company's common stock. The Company may issue to Laurus an additional note up to $2,000,000 prior to July 15, 2005. The funds from the Note will be used to pay off the Company's existing debt in the amount of $1,500,000 and for working capital; provided, however, $2,500,000 has been placed in a restricted cash account to be distributed in accordance with the terms and condition of the Restricted Account Agreement dated October 18, 2004. The Agreement also grants Laurus a right of first refusal to participate in any future issuance of debt or equity securities by the Company.

The Company could be required to secure additional financing to fully implement its entire business plan. There are no guarantees that such financing will be available to the Company, or if available, will be on terms and conditions satisfactory to management.

The Company does not have any preliminary agreements or understandings between the company and its stockholders/officers and directors with respect to loans or financing to operate the company. The Company currently has no arrangements or commitments for accounts and accounts receivable financing.

Employees

IT&E employs approximately 80-85 staff employees and utilizes the services of approximately 50-55 outside consultants who work as independent contractors for IT&E.

Market For Company's Common Stock

(i) Market Information

The Company's Common Stock is traded on the OTC Bulletin Board under the symbol "ITER." There has been limited trading activity in the Common Stock. There are no assurances trading activity will take place in the future for the Company's Common Stock.

(a) There are currently 2,000,000 warrants for shares of Common Stock which are subject to conversion on a one-to-one basis. These are five year warrants, which include piggyback registration rights on the underlying stock, with an exercise price of to be mutually determined by the Board of Directors and Warrant Holder(s), the exercise date is not sooner than one year and not later than five years, ending April, 2009. There are no outstanding options to purchase, or securities convertible into, the Company's common stock.

(b) There are currently 1,875,000 shares common stock of the Company which could be sold under Rule 144k under the Securities Act of 1933, as amended.

(c) The Company did not repurchase any of its shares during the second quarter of the fiscal year covered by this report.

(ii) Dividends

Holders of common stock are entitled to receive such dividends as the board of directors may from time to time declare out of funds legally available for the payment of dividends. No dividends have been paid on our common stock, and we do not anticipate paying any dividends on our common stock in the foreseeable future.

Forward-Looking Statements

This Form 10-QSB includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-QSB which address activities, events or developments which the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), finding suitable merger or acquisition candidates, expansion and growth of the Company's business and operations, and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances.

However, whether actual results or developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties, general economic market and business conditions; the business opportunities (or lack thereof) that may be presented to and pursued by the Company; changes in laws or regulation; and other factors, most of which are beyond the control of the Company.

This Form10-QSB contains statements that constitute "forward-looking statements." These forward-looking statements can be identified by the use of predictive, future-tense or forward-looking terminology, such as "believes," "anticipates," "expects," "estimates," "plans," "may," "will," or similar terms. These statements appear in a number of places in this Registration and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things: (i) trends affecting the Company's financial condition or results of operations for its limited history; (ii) the Company's business and growth strategies; and, (iii) the Company's financing plans. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Factors that could adversely affect actual results and performance include, among others, the Company's limited operating history, dependence on continued growth in the irrigation industry, potential fluctuations in quarterly operating results and expenses, government regulation dealing with irrigation systems, technological change and competition.

Consequently, all of the forward-looking statements made in this Form 10-QSB are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The Company assumes no obligations to update any such forward-looking statements.

16

Item 3. Controls and Procedures

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There was no change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

17

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company is not a party to any legal proceedings.

ITEM 2. Changes in Securities and Use of Proceeds

On October 18, 2004, the Registrant, entered into a Securities Purchase Agreement with and Laurus Master Funds, Ltd., an accredited investor. Pursuant to the Agreement, the Registrant sold to Laurus a Secured Convertible Term Note in an aggregate principal amount of $5,000,000 and issued a warrant to purchase up to 1,924,000 shares of the Company's common stock. The Company may issue to Laurus an additional note up to $2,000,000 prior to July 15, 2005. The funds from the Note will be used to pay off the Company's existing debt in the amount of $1,500,000 and for working capital; provided, however, $2,500,000 has been placed in a restricted cash account to be distributed in accordance with the terms and condition of the Restricted Account Agreement dated October 18, 2004. The Agreement also grants Laurus a right of first refusal to participate in any future issuance of debt or equity securities by the Company. (See Current Report, dated October 18, 2004, filed with the Commission.)

ITEM 3. Defaults upon Senior Securities

None.

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

During the quarter ended, no matters were submitted to the Company's security holders.

ITEM 5. Other Information

None.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number	Title of Document
31.1	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K, during the Quarter ended September 30, 2004.

The Company filed a Current Report dated October 18, 2004, pursuant to Item 1.01; ("Entry into a Material Definitive Agreement"); Item 3.02 ("Unregistered Sales of Equity Securities"); and Item 9.01 ("Exhibits").

18

SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the registrant caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

IT&E International Group
(Registrant)

Dated: November 15, 2004 By: /s/ Peter R. Sollenne

Peter R. Sollenne
Chief Executive Officer
Director

Dated: November 15, 2004 By: /s/ Kelly Alberts

Kelly Alberts
President/COO

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

IT&E International Group

Dated: November 15, 2004 By: /s/ Peter R. Sollenne

Peter R. Sollenne
Chief Executive Officer
Director

Dated: November 15, 2004 By: /s/ Kelly Alberts

Kelly Alberts
President/COO