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

FORM 10-QSB

(Mark One)
|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2006

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 000-32849

PROTEO, INC.
(EXACT NAME OF SMALL BUSINESS ISSUER AS SPECIFIED IN ITS CHARTER)

NEVADA	88-0292249
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

2102 BUSINESS CENTER DRIVE, IRVINE, CALIFORNIA	92612
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

Issuer's telephone number, including area code: (949) 253-4616

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|.

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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS	NUMBER OF SHARES OUTSTANDING
Common Stock, $0.001 par value	22,379,350 shares of common stock as November 10, 2006

Transitional Small Business Disclosure Format
(Check one):
Yes |_| No |X|.

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PROTEO, INC.
AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

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PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2006

UNAUDITED

ASSETS

<S>	<C>
CURRENT ASSETS	
Cash and cash equivalents	$ 231,799
Research supplies inventory	85,063
Prepaid expenses and other current assets	51,665
	368,527
PROPERTY AND EQUIPMENT, NET	385,839
	$ 754,366

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 51,194
Accrued licensing fees	803,000
Settlement liability	86,526
	940,720
MINORITY INTEREST	63,471
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' DEFICIT	
Preferred stock, par value $0.001 per share; 10,000,000 shares authorized; no shares issued and outstanding	-
Common stock, par value $0.001 per share; 300,000,000 shares authorized; 22,379,350 shares issued and outstanding	22,380
Additional paid-in capital	4,069,734
Stock subscriptions receivable	(150,991)
Accumulated other comprehensive income	250,372
Deficit accumulated during development stage	(4,441,320)
	(249,825)
	$ 754,366

SEE ACCOMPANYING NOTES TO THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005
AND FOR THE PERIOD FROM NOVEMBER 22, 2000 (INCEPTION) THROUGH SEPTEMBER 30, 2006

UNAUDITED

	THREE-MONTHS ENDED SEPTEMBER 30, 2006	THREE-MONTHS ENDED SEPTEMBER 30, 2005	NINE-MONTHS ENDED SEPTEMBER 30, 2006	NINE-MONTHS ENDED SEPTEMBER 30, 2005	NOVEMBER 22, 2000 (INCEPTION) THROUGH SEPTEMBER 30, 2006
REVENUES	$ -	$ -	$ -	$ -	$ -
EXPENSES					
General and Administrative	234,828	89,880	402,275	313,535	3,030,638
Research and Development, net of grants	36,971	302,177	76,378	706,730	1,458,865
	271,799	392,057	478,653	1,020,265	4,489,503
INTEREST AND OTHER INCOME (EXPENSE)	1,480	12,650	(31,180)	94,826	48,183
NET LOSS (AVAILABLE TO COMMON STOCKHOLDERS)	(270,319)	(379,407)	(509,833)	(925,439)	(4,441,320)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	5,023	4,216	31,718	(135,100)	250,372
COMPREHENSIVE LOSS	$ (265,296)	$ (375,191)	$ (478,115)	$ (1,060,539)	$ (4,190,948)
BASIC AND DILUTED LOSS AVAILABLE TO COMON STOCKHOLDERS PER COMMON SHARE	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.04)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	22,379,350	22,079,350	22,379,350	22,079,350	

SEE ACCOMPANYING NOTES TO THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005, AND
FOR THE PERIOD FROM NOVEMBER 22, 2000 (INCEPTION) THROUGH SEPTEMBER 30, 2006

UNAUDITED

	NINE-MONTHS ENDED SEPTEMBER 30, 2006	NINE-MONTHS ENDED SEPTEMBER 30, 2005	NOVEMBER 22, 2000 (INCEPTION) THROUGH SEPTEMBER 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (509,833)	$ (925,439)	$ (4,441,320)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	40,666	35,574	208,382
Unrealized foreign transaction loss (gain)	49,000	(72,000)	92,000
Changes in operating assets and liabilities:			
Research supplies inventory	10,068	-	(111,919)
Prepaid expenses and other current assets	(23,388)	2,519	(50,898)
Accounts payable and accrued liabilities	(42,256)	154,047	29,220
Accrued licensing fees	103,000	102,000	711,000
Settlement liability	86,526	-	86,526
NET CASH USED IN OPERATING ACTIVITIES	(286,217)	(703,299)	(3,477,009)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	-	(7,767)	(601,728)
Cash of reorganized entity	-	-	27,638
NET CASH USED IN INVESTING ACTIVITIES	-	(7,767)	(574,090)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock	-	-	1,792,610
Proceeds for subscribed stock	225,680	350,001	2,140,004
Capital contributions	63,471	-	63,471
NET CASH PROVIDED BY FINANCING ACTIVITIES	289,151	350,001	3,996,085
NET EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH	1,088	(90,198)	286,813
NET INCREASE (DECREASE) IN CASH	4,022	(451,263)	231,799
CASH AND CASH EQUIVALENTS - beginning of period	227,777	916,054	-
CASH AND CASH EQUIVALENTS - end of period	$ 231,799	$ 464,791	$ 231,799

SEE ACCOMPANYING NOTES TO THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
SEPTEMBER 30, 2006

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1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

BASIS OF PRESENTATION

The management of Proteo, Inc. ("Proteo" or the "Company") and its wholly owned subsidiary Proteo Biotech, AG, without audit, prepared the condensed consolidated financial statements for the three-month and the nine-month periods ended September 30, 2006 and 2005 and for the period from November 22, 2000 (Inception) through September 30, 2006. In the opinion of management, all adjustments necessary to present fairly, in accordance with accounting principles generally accepted in the United States of America, the Company's financial position as of September 30, 2006, and the results of operations and cash flows for the nine-month periods ended September 30, 2006 and 2005 and for the period from November 22, 2000 (Inception) through September 30, 2006, have been made. Such adjustments consist only of normal recurring adjustments.

Certain note disclosures normally included in our annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to instructions for Form 10-QSB. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto which are included in Proteo, Inc.'s Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2006.

The results of operations for the three-month and nine-month periods ended September 30, 2006 are not necessarily indicative of the results to be expected for the full year.

NATURE OF BUSINESS

The Company and its subsidiary intend to develop, manufacture, promote and market pharmaceuticals and other biotech products. The Company is focused on the development of pharmaceuticals based on the human protein Elafin. Elafin is a human protein that naturally occurs in human skin, lungs, and mammary glands. The Company believes Elafin may be useful in the treatment of cardiac infarction, serious injuries caused by accidents, post surgery damage to tissue and complications resulting from organ transplantations. The Company's common stock is currently quoted on the OTC Bulletin Board of the National Association of Securities Dealers under the symbol "PTEO.OB".

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PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
SEPTEMBER 30, 2006

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1. NATURE OF BUSINESS AND BASIS OF PRESENTATION (continued)

NATURE OF BUSINESS (continued)

Since its inception, the Company has primarily been engaged in the research and development of its proprietary product Elafin. Once the research and development phase is complete, the Company intends to manufacture and obtain the various governmental regulatory approvals for the marketing of Elafin. The Company is in the development stage and has not generated any significant revenues from any product sales. The Company believes that none of its planned products will produce sufficient revenues in the near future. As a result, the Company plans to identify and develop other potential products. There are no assurances, however, that the Company will be able to produce such products, or if produced, that they will be accepted in the marketplace.

DEVELOPMENT STAGE AND GOING CONCERN CONSIDERATIONS

The Company has been in the development stage since it began operations on November 22, 2000, and has not generated any significant revenues from operations, and there is no assurance of any future revenues.

The Company will require substantial additional funding for continuing research and development, obtaining regulatory approval and for the commercialization of its product. There can be no assurance that the Company will be able to obtain sufficient additional funds when needed, or that such funds, if available, will be obtainable on terms satisfactory to the Company.

Management has taken action to address these matters. They include:

- Retention of experienced management personnel with particular skills in the commercialization of such products.
- Attainment of technology to develop additional biotech products.
- Raising additional funds through the sale of debt and equity securities.
- Applying for additional research grants.

The Company's products, to the extent they may be deemed drugs or biologics, are governed by the Federal Food, Drug and Cosmetics Act and the regulations of State and various foreign government agencies. The Company's proposed pharmaceutical products to be used with humans are subject to certain clearance procedures administered by the above regulatory agencies. There can be no assurance that the Company will receive the regulatory approvals required to market its proposed products elsewhere or that the regulatory authorities will review the product within the average period of time.

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PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
SEPTEMBER 30, 2006

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1. NATURE OF BUSINESS AND BASIS OF PRESENTATION (continued)

DEVELOPMENT STAGE AND GOING CONCERN CONSIDERATIONS (continued)

Management plans to obtain revenues from product sales, but there is no commitment by any persons for purchase of any of the proposed products. In the absence of significant sales and profits, the Company may seek to raise additional funds to meet its working capital requirements through the additional sales of debt and equity securities. There is no assurance that the Company will be able to obtain sufficient additional funds when needed, or that such funds, if available, will be obtainable on terms satisfactory to the Company.

These circumstances, among others, raise concerns about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Company and its majority owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements discussed in the Notes to the December 31, 2005 consolidated financial statements filed previously with the Securities and Exchange Commission in Form 10-KSB that are required to be adopted during the year ending December 31, 2006 did not have, or are not expected by management to have, a significant impact on the Company's consolidated financial statements.

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PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
SEPTEMBER 30, 2006

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2. EQUITY TRANSACTIONS

During the nine-month periods ended September 30, 2006 and 2005, the Company received $225,680 and $350,001, respectively, in connection with stock subscriptions receivable. Management expects the outstanding balance of the stock subscriptions receivable to be received in installments through December 2006 and believes such balance to be fully collectible.

There have been no issuances of common stock or preferred stock during the nine-month period ended September 30, 2006, nor have any stock options been granted from inception to-date.

On September 28, 2006, a shareholder of the Company contributed 50,000 Euros ($63,471) to PBAG for a 15% non-voting interest in PBAG, in accordance with certain provisions of the German Commercial Code. Such amount is presented as minority interest in the accompanying condensed consolidated balance sheet.

3. LOSS PER SHARE

The Company computes loss per common share using Statement of Financial Accounting Standards ("SFAS") No. 128 "EARNINGS PER SHARE." Basic loss per common share is computed based on the weighted average number of shares outstanding for the period. Diluted loss per share is computed by dividing net loss by the weighted average shares outstanding assuming all dilutive potential common shares were issued. There were no dilutive potential common shares at September 30, 2006 and 2005. Additionally, there were no adjustments to net loss to determine net loss available to common shareholders. As such, basic and diluted loss per share equals net loss, as reported, divided by the weighted average common shares outstanding for the respective periods.

4. FOREIGN CURRENCY TRANSLATION

Assets and liabilities of the Company's German operations are translated into U.S. dollars at period-end exchange rates; equity transactions are translated at historical rates; and income and expenses are translated at weighted average exchange rates for the period. Net foreign currency exchange gains or losses resulting from such translation are excluded from net earnings but are included in comprehensive income and accumulated in a separate component of stockholders' equity. Accumulated other comprehensive income approximated $250,000 at September 30, 2006.

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PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
SEPTEMBER 30, 2006

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5. FOREIGN CURRENCY TRANSACTIONS

The Company records payables related to a certain licensing agreement, in accordance with SFAS No. 52, "FOREIGN CURRENCY TRANSLATION." Quarterly commitments under such agreement are denominated in Euros. For each reporting period, the Company translates the quarterly amount to US dollars at the exchange rate effective on that date. If the exchange rate changes between when the liability is incurred and the time payment is made, a foreign exchange gain or loss results. The Company has made no payments under this licensing agreement, and, therefore, has not realized any foreign currency exchanges gains or losses during the nine-month periods ended September 30, 2006 and 2005.

Additionally, the Company computes a foreign exchange gain or loss at each balance sheet date on all recorded transactions denominated in foreign currencies that have not been settled. The difference between the exchange rate that could have been used to settle the transaction on the date it occurred and the exchange rate at the balance sheet date is the unrealized gain or loss that is currently recognized. The Company recorded unrealized foreign currency exchange (losses) gains of approximately ($49,000) and $72,000 for the nine-months ended September 30, 2006 and 2005, respectively.

6. SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION

SFAS No. 131, "DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION," establishes standards for the way public companies report information about segments of their business in their annual financial statements and requires them to report selected segment information in their quarterly reports issued to shareholders. It also requires entity-wide disclosures about the products and services an entity provides, the material countries in which it holds assets and reports revenues and its major customers. The Company considers itself to operate in one segment and has not generated significant revenues since its inception. All fixed assets are located in Germany.

7. GRANTS

In May 2004, the German State of Schleswig-Holstein granted Proteo Biotech AG approximately 760,000 Euros for further research and development of the Company's pharmaceutical product Elafin. The new grant covers the period from April 1, 2004 to March 31, 2007 if certain milestones have been reached by September 30 of each year, with a possible extension as defined in the agreement.

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7. GRANTS (continued)

The new grant covers 49.74% of eligible research and development costs and is subject to the Company's ability to cover the remaining 50.26% of the costs. During the three-month period ended March 31, 2006, the New Grant was modified so that the Company is eligible to receive the following amounts: 120,911 Euros in 2004 (received); 197,316 Euros in 2005 (received); 341,773 Euros in 2006; and 100,000 Euros in 2007. Grant funds approximating 181,000 and 168,000 Euros ($226,000 and $213,000, respectively) have been recorded as a reduction of research and development expenses for the nine-month periods ended September 30, 2006 and 2005, respectively. As of September 30, 2006, management believes that all milestones required by the new grant have been satisfied.

8. LICENSE AGREEMENT

On December 30, 2000, the Company entered into a 30-year license agreement, beginning January 1, 2001, with Dr. Oliver Wiedow, MD, the owner and inventor of several patents, patent rights and technologies related to Elafin. In exchange for an exclusive worldwide license for the intellectual property, the Company agreed to pay Dr. Wiedow a licensing fee of 110,000 Euros per year, for a term of six years for a total obligation of 660,000 Euros. Such licensing fees shall be reduced by payments to Dr. Wiedow during such term for any royalties and for 50% of any salary.

Royalties are to be paid quarterly, for the 30-year term of the agreement, to Dr. Wiedow in the amount of 3% of gross revenues earned with products based on the licensed technology. Dr. Wiedow has not been paid any salary since execution of the agreement.

At September 30, 2006, the Company has accrued approximately $803,000 (633,000 Euros) of licensing fees payable to Dr. Wiedow. The Company has not made any installment payments to Dr. Wiedow as required under the original agreement. During 2004, the licensing agreement was amended to require annual payments of 30,000 Euros, to be paid on July 15 of each year, beginning on July 15, 2004. Such amount can be increased up to 110,000 Euros by June 1 of each year based on an assessment of the Company's financial ability to make such payments. The annual payments will continue until the entire obligation of 660,000 Euros has been paid. No payments have been made to Dr. Wiedow as of September 30, 2006, and this is a technical breach of the agreement. Dr. Wiedow waived such breach and deferred the 2004 and 2005 payments to later in 2006.

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PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
SEPTEMBER 30, 2006

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9. LEGAL CONTINGENCY

The Company's German subsidiary PBAG was sued and served with a summons in February 2006 by its former President and CEO, Walter J. Thomsen, whose employment was terminated effective as of November 7, 2005. The suit was filed in Germany. Mr. Thomsen sought declaratory relief regarding the alleged early and wrongful termination of his employment with the Company.

During the three -month period ended September 30, 2006, the Company settled the lawsuit with Walter J. Thomsen for 100,000 Euros (approximately $125,000). The Company made a deposit relating to the lawsuit in the amount of 31,805 Euros (approximately $40,000) on May 11, 2006, 28,720 Euros of which was paid out to Mr. Thomsen in September 2006. The Company is to pay 30,000 Euros no later than October 2, 2006. The remainder of the settlement is to be paid by December 1, 2006. As this loss was not estimated by management to be probable as of June 30, 2006, the entire settlement amount was recorded as an expense during the three-month period ended September 30, 2006. Such amount is included in general and administrative expenses on the accompanying condensed consolidated statements of operations. At September 30, 2006, the Company has included the remaining settlement liability of $86,526 in settlement liability on the accompanying condensed consolidated balance sheet.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

CAUTIONARY STATEMENTS:

THIS QUARTERLY REPORT ON FORM 10-QSB CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934. THE COMPANY INTENDS THAT SUCH FORWARD-LOOKING STATEMENTS BE SUBJECT TO THE SAFE HARBORS CREATED BY SUCH STATUTES. THE FORWARD-LOOKING STATEMENTS INCLUDED HEREIN ARE BASED ON CURRENT EXPECTATIONS THAT INVOLVE A NUMBER OF RISKS AND UNCERTAINTIES. ACCORDINGLY, TO THE EXTENT THAT THIS QUARTERLY REPORT CONTAINS FORWARD-LOOKING STATEMENTS REGARDING THE FINANCIAL CONDITION, OPERATING RESULTS, BUSINESS PROSPECTS OR ANY OTHER ASPECT OF THE COMPANY, PLEASE BE ADVISED THAT THE COMPANY'S ACTUAL FINANCIAL CONDITION, OPERATING RESULTS AND BUSINESS PERFORMANCE MAY DIFFER MATERIALLY FROM THAT PROJECTED OR ESTIMATED BY THE COMPANY IN FORWARD-LOOKING STATEMENTS. THE DIFFERENCES MAY BE CAUSED BY A VARIETY OF FACTORS, INCLUDING BUT NOT LIMITED TO ADVERSE ECONOMIC CONDITIONS, INTENSE COMPETITION, INCLUDING INTENSIFICATION OF PRICE COMPETITION AND ENTRY OF NEW COMPETITORS AND PRODUCTS, ADVERSE FEDERAL, STATE AND LOCAL GOVERNMENT REGULATION, INADEQUATE CAPITAL, UNEXPECTED COSTS AND OPERATING DEFICITS, AND INCREASES IN GENERAL AND ADMINISTRATIVE COSTS, AND OTHER SPECIFIC RISKS THAT MAY BE ALLUDED TO IN THIS QUARTERLY REPORT OR IN OTHER REPORTS ISSUED BY THE COMPANY. IN ADDITION, THE BUSINESS AND OPERATIONS OF THE COMPANY ARE SUBJECT TO SUBSTANTIAL RISKS THAT INCREASE THE UNCERTAINTY INHERENT IN THE FORWARD-LOOKING STATEMENTS. THE INCLUSION OF FORWARD LOOKING STATEMENTS IN THIS QUARTERLY REPORT SHOULD NOT BE REGARDED AS A REPRESENTATION BY THE COMPANY OR ANY OTHER PERSON THAT THE OBJECTIVES OR PLANS OF THE COMPANY WILL BE ACHIEVED.

The Company does not currently generate any revenue from its operations and does not expect to report any significant revenue until the successful development and marketing of its planned pharmaceutical and other biotech products. Additionally, after the launch of the Company's products, there can be no assurance that the Company will generate positive cash flow and there can be no assurances as to the level of revenues, if any, the Company may actually achieve from its planned operations.

PLAN OF OPERATIONS

The Company specializes in the research, development and marketing of drugs for inflammatory diseases with Elafin as its first project. The Company's management deems Elafin to be one of the most prospective substances in the treatment of serious tissue and muscle damage. Independently conducted animal experiments have indicated that Elafin may have benefits in the treatment of reperfusion injuries due to myocardial infarction, severe injury, transplantation or other tissue damage occurring on restoring blood circulation. Additionally, further studies in animals have shown that Elafin may be effective in the treatment of other diseases, particularly pulmonary diseases such as pulmonary hypertension, chronic obstructive pulmonary disease (COPD) and cystic fibrosis. Due to its mode of action Elafin may also have potential in the treatment of SIRS, acute pancreatitis, periodontitis, assist in wound healing, and may be useful in medical device coating and as ingredient in so-called cosmeceuticals.

The Company intends to implement Elafin as a drug in the treatment of serious tissue and muscle damage, for example, due to traffic accidents, and intends to achieve governmental approval in Europe first. Currently, management assumes that it will take at least an additional four years to achieve its first governmental approval for the use of Elafin as a drug in the treatment of serious tissue and muscle damage. Further, the Company intends to develop proprietary products targeting rare diseases such as pulmonary hypertension, and cystic fibrosis, and obtain orphan drug status for such products. Orphan drug status in the US and in Europe provide eased drug approval procedures and protected market access for up to seven years and for up to ten years, respectively. However, there can be no assurance that the Company will achieve orphan drug status in the US or Europe, nor that the Company will be able to develop marketable drugs for the treatment of such rare diseases.

The Company's success will depend on its ability to prove that Elafin is well tolerated by humans and its efficiency in the indicated treatment. There can be no assurance that the Company will be able to develop feasible production procedures in accordance with Good Manufacturing Practices ("GMP") standards, or that Elafin will receive any governmental approval for use as a drug in any of the Company's intended applications.

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In November 2004, we entered into an exclusive worldwide license and collaboration agreement with ARTES Biotechnology GmbH ("ARTES"). This license agreement enables us to economically produce Elafin on a large scale by using the sublicensed yeast HANSENULA POLYMORPHA as a high performance expression system. Rhein Biotech GmbH ("Rhein") has licensed the yeast to ARTES, who in-turn sublicensed it to us. The agreement has a term of 15 years with an annual license fee of 10,000 Euros per year or 2.5% royalties on the future sales of Elafin. Should the license agreement between Rhein and ARTES terminate, Rhein will assume the sublicense agreement with the Company under similar terms.

A necessary pre-requisite for the commencement of clinical trials was the production of Elafin according to GMP Standards. In anticipation of commencing clinical trials, on March 18, 2005 we entered into a contractual agreement with Eurogentec S.A., located in Liege, Belgium, an experienced Contract Manufacturing Organization (CMO) for the production of a required amount of Elafin according to GMP standards. The authorities demand strict standards for the manufacture of medicines for clinical testing, and the GMP production of Elafin for the upcoming clinical trials has to comply with a large number of rules and regulations. Eurogentec has completed its required production run of Elafin.

In April 2005, we entered into an agreement with the German Institut fur klinische Pharmakologie ("IKP"), an experienced Contract Research Organization (CRO), to assist us with our initial clinical trial involving Elafin, to evaluate the tolerability, safety, pharmacokinetic and dynamics of Elafin pursuant to a clinical protocol e.g. with healthy young men. In November 2005 we commenced, and in December 2005, we successfully completed our first Phase I trial for Elafin. Elafin was tested on 32 healthy male volunteers in a single-ascending-dose, double blind, randomized, placebo-controlled trial to evaluate tolerability and safety at the IKP in Kiel, Germany. All intravenously applied doses were well tolerated. No severe adverse events occurred. However, we cannot be assured of the same results will be received in a later Phase or with a larger test population.

In 2006, the Company has gathered and evaluated additional data from the results of the Phase I study, and is in the process of planning a Phase II clinical trial. In addition, during 2006, we established a procedure to incorporate Elafin as an active ingredient in cream.

In September 2006 we filed an application with the EMEA (European Medicines Agency) to achieve orphan drug status in the European markets for Elafin to be used in the treatment of pulmonary hypertension.

In September 2006, Windhover Information, Inc., an established provider of business information for decision makers in the biotechnology and pharmaceutical industries, chose the Company's Elafin project as one of the top 10 most interesting cardiovascular projects. We have been invited to present the Elafin project at the "Windhover's Therapeutic Alliances Cardiovascular Conference" in Chicago on November 16, 2006.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception we have raised a total of approximately $4,083,000 from the sale of 18,565,428 shares of our common stock, of which 5,085,487 shares and 300,000 shares have been sold at $0.40 per share and at $0.84 per share, respectively, under stock subscription agreements in the amount of approximately $2,035,000 and of $252,000, respectively. Approximately $151,000 is owed to us at September 30, 2006 under such subscription agreements.

In May 2004, our subsidiary, Proteo Biotech AG (PBAG) received another grant from the German State of Schleswig-Holstein in the approximate amount of 760,000 Euros for further research and development of our pharmaceutical product Elafin. The grant covers the period from April 1, 2004 to March 31, 2007 if certain milestones have been reached by September 30 of each year, with a possible extension as defined in the agreement. The new grant covers 49.74% of eligible research and development costs and is subject to our ability to fund the remaining 50.26 % of the costs. An additional condition of the grant is that the product is to be developed and subsequently produced in the German state of Schleswig-Holstein. We received approximately 167,000 Euros (approximately $212,000) for the nine-month period and approximately 37,000 Euros (approximately $47,000) for the three-month period ended September 30, 2006, respectively, under the grant, and qualified for an additional amount approximating 15,000 Euros (approximately $19,000), which we have recorded as a receivable at period end. We reasonably believe that all milestones required by the new grant had been satisfied as of September 30, 2006. There can be no assurance that we will qualify for additional funds under the grant.

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The Company has cash approximating $232,000 as of September 30, 2006. This is a significant decrease over the September 30, 2005 cash balance of approximately $465,000. The decrease is due in large part to expenses for research and development related to Elafin production under GMP and on Phase I clinical trial incurred in between September 30, 2005 and September 30, 2006.

On September 28 2006, Oliver Wiedow, M.D., a majority shareholder in the Company and member of the Board of Directors invested 50,000 Euros (approximately $63,000) in our subsidiary, PBAG, in exchange for a 15% non-voting equity interest in PBAG. Pursuant to the agreement with the Company, Dr. Wiedow is allocated 15% of PBAG's profits and losses on an annual basis provided that the annual profit allocation cannot exceed 30% of the amount invested and he cannot be allocated losses in excess of the amount invested plus allocated profits. The agreement may be terminated upon six months notice prior to the end of any calendar year, at which time Dr. Wiedow is to be paid an amount equal to the initial investment, plus any allocated profits and less any allocated losses, subject to the foregoing limitations. Dr. Wiedow invested the money to bridge a gap in the Company's cash flows.

On November 15, 2004, the Company entered into an exclusive worldwide license and collaboration agreement with ARTES Biotechnology GmbH ("ARTES"). This license agreement enables us to economically produce Elafin on a large scale by using the sublicensed yeast HANSENULA POLYMORPHA as a high performance expression system. Rhein Biotech GmbH ("Rhein") has licensed the yeast to ARTES, who in-turn sublicensed it to us. The agreement has a term of 15 years with an annual license fee of 10,000 Euros per year or 2.5% royalties on the future sales of Elafin. Should the license agreement between Rhein and ARTES terminate, Rhein will assume the sublicense agreement with us Company under similar terms.

On April 25, 2005, the Company entered into a contractual agreement with the Institut fur klinische Pharmakologie ("IKP"), a German organization, for clinical testing of the Company's product Elafin. Such agreement required payments approximating 118,000 Euros, payable upon the attainment of achieved milestones, which were achieved during the fourth quarter of 2005. The Company incurred expenses approximating 31,000 Euros (approximately $37,000) under this contract during the nine-month period, and no expenses during the three-month period ended September 30, 2006.

Management believes that the Company will not generate any significant revenues in the next few years, nor will it have sufficient cash to fund operations. As a result, the Company's success will largely depend on its ability to secure additional funding through the sale of its Common Stock and/or the sale of debt securities. There can be no assurance, however, that the Company will be able to consummate debt or equity financing in a timely manner, or on a basis favorable to the Company, if at all.

During the three -month period ended September 30, 2006, the Company settled a lawsuit with Walter J. Thomsen, our former president and CEO, for 100,000 Euros (approximately $125,000). The Company made a deposit relating to the lawsuit in the amount of 31,805 Euros (approximately $40,000) on May 11, 2006 , 28,720 Euros of which was paid out to Mr. Thomsen in September 2006 . The Company is to pay 30,000 Euros no later than October 2, 2006. The remainder of the settlement is to be paid by December 1, 2006. As this loss was not estimated by management to be probable as of June 30, 2006, the entire settlement amount was recorded as an expense during the three-month period ended September 30, 2006. Such amount is included in general and administrative expenses on the accompanying condensed consolidated statements of operations. At September 30, 2006, the Company has included the remaining settlement liability of $86,526 in settlement liability on the accompanying condensed consolidated balance sheet.

GOING CONCERN

The Company's independent registered public accounting firm stated in their Auditor's Report included in our Form 10-KSB for the year ended December 31, 2005 that the Company will require a significant amount of additional capital to advance the Company's products to the point where they become commercially viable and has incurred significant losses since inception. These conditions, among others, raise substantial doubt about the Company's ability to continue as a going concern.

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The Company intends to fund operations through grant proceeds and increased equity financing arrangements which management believes may be insufficient to fund its capital expenditures, working capital and other cash requirements for the fiscal year ending December 31, 2006. Therefore, the Company will be required to seek additional funds to fund its long-term operations. The successful outcome of future activities cannot be determined at this time and there is no assurance that if achieved, the Company will have sufficient funds to execute its intended business plan or generate positive operating results.

INFLATION

Management believes that inflation has not had a material effect on the Company's results of operations.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not currently have any off balances sheet arrangements.

CAPITAL EXPENDITURES

None significant.

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ITEM 3. CONTROLS AND PROCEDURES

The Company's principal executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(c) and 15d-15(e) under of the Securities Exchange Act of 1934, as amended). Based on her most recent evaluation, she has concluded that the Company's disclosure controls and procedures were effective as of September 30, 2006. There have been no significant changes in the Company's internal control over financial reporting during the quarter ended September 30, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company's German subsidiary PBAG was sued and served with a summons in late February 2006 by its former President and CEO Walter J. Thomsen whose employment was terminated. The suits were filed in the court Landgericht Kiel, Germany. Mr. Thomsen was seeking declaratory relief regarding the alleged early and wrongful termination of his employment with the Company.

During the three -month period ended September 30, 2006, the Company settled the lawsuit with Walter J. Thomsen for 100,000 Euros (approximately $125,000). The Company made a deposit relating to the lawsuit in the amount of 31,805 Euros (approximately $40,000) on May 11, 2006, 28,720 Euros of which was paid out to Mr. Thomsen in September 2006. The Company is to pay 30,000 Euros no later than October 2, 2006. The remainder of the settlement is to be paid by December 1, 2006. As this loss was not estimated by management to be probable as of June 30, 2006, the entire settlement amount was recorded as an expense during the three-month period ended September 30, 2006. Such amount is included in general and administrative expenses on the accompanying condensed consolidated statements of operations. At September 30, 2006, the Company has included the remaining settlement liability of $86,526 in settlement liability on the accompanying condensed consolidated balance sheet.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

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

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibits:

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification 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.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PROTEO, INC.

Dated: November 13, 2006

By: /s/ Birge Bargmann

Birge Bargmann
Principal Executive Officer and
Chief Financial Officer
(signed both as an Officer duly authorized to sign on behalf of the Registrant and Principal Financial Officer and Chief Accounting Officer)

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EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Birge Bargmann, certify that:

1. I have reviewed this report on Form 10-QSB of Proteo, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting, and;

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions);

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2006

By: /s/ Birge Bargmann

Birge Bargmann
Chief Executive Officer
(Principal Executive Officer)

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EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Birge Bargmann, certify that:

1. I have reviewed this report on Form 10-QSB of Proteo, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and;

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions);

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2006

By: /s/ Birge Bargmann

Birge Bargmann
Chief Financial Officer
(Principal Accounting Officer)

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EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Proteo, Inc., a Nevada corporation (the "Company"), on Form 10-QSB for the quarter ended September 30, 2006, as filed with the Securities and Exchange Commission (the "Report"), Birge Bargmann, Chief Executive Officer and Chief Financial Officer, does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss. 1350), that to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: NOVEMBER 13, 2006

/s/ Birge Bargmann

Birge Bargmann
CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, OR OTHER DOCUMENT AUTHENTICATING, ACKNOWLEDGING, OR OTHERWISE ADOPTING THE SIGNATURE THAT APPEARS IN TYPED FORM WITHIN THE ELECTRONIC VERSION OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, HAS BEEN PROVIDED TO PROTEO, INC. AND SUBSIDIARY AND WILL BE RETAINED BY PROTEO, INC. AND SUBSIDIARY AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.