SANGUI BIOTECH INTERNATIONAL INC
Form 10-Q
May 21, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **March 31, 2009**

Commission file number: 0-21271

SANGUI BIOTECH INTERNATIONAL, INC.

(Exact name of Registrant as specified in Its Charter)

Colorado	84-1330732
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

Alfred-Herrhausen-Str. 44, 58455 Witten, Germany

(Address of Principal Executive Offices)

011-49-2302-915-204

(Registrant's Telephone Number, including area code)

Indicate by check mark whether the registrant: (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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes **.** No **..**

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

Large Accelerated Filer . **Accelerated Filer .**

Non-Accelerated Filer . **Smaller Reporting Company X .**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes **.** No **X** .

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date. As of May 19, 2009, there were 68,163,500 shares of the issuer's Common Stock, no par value, issued and outstanding.

SANGUI BIOTECH INTERNATIONAL, INC.

Quarterly Report on Form 10-Q

For the Quarterly Period Ended March 31, 2009

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PART I - FINANCIAL INFORMATION

ITEM 1 CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission and, therefore, do not include all information and footnotes necessary for a complete presentation of our financial position, results of operations, cash flows, and stockholders' deficit in conformity with generally accepted accounting principles in the United States of America. In the opinion of management, all adjustments considered necessary for a fair presentation of the consolidated results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

Our unaudited consolidated balance sheet as of March 31, 2009 and our unaudited consolidated statements of operations for the three month periods ended March 31, 2009 and 2008, and the unaudited consolidated statements of cash flows for the nine month periods ended March 31, 2009 and 2008, are attached hereto and incorporated herein by this reference.

SANGUI BIOTECH INTERNATIONAL, INC.

Condensed Consolidated Balance Sheets

ASSETS

	March 31, 2009 (Unaudited)	June 30, 2008
CURRENT ASSETS		
Cash	$ 22,410	$ 229,717
Accounts receivable	18,792	5,021
Inventory	119,491	127,109
Shareholder loans receivable	-	533,059
Prepaid expenses and other assets	10,316	28,627
Total Current Assets	171,009	923,533
FIXED ASSETS, Net		
Property and equipment	3,570	7,021
Total Fixed Assets	3,570	7,021
OTHER ASSETS		
Tax refunds receivable	45,104	40,166
Other non-current assets	191,371	221,208
Total Other Assets	236,475	261,374
TOTAL ASSETS	$ 411,054	$ 1,191,928

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

SANGUI BIOTECH INTERNATIONAL, INC.

Condensed Consolidated Balance Sheets (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	March 31, 2009 (Unaudited)	June 30, 2008
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 337,658	$ 317,378
Notes payable	140,499	1,952,841
Total Current Liabilities	478,157	2,270,219
TOTAL LIABILITIES	478,157	2,270,219
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, no par value; 10,000,000 shares authorized, -0- shares issued and outstanding	-	-
Common stock, no par value; 250,000,000 shares authorized, 68,048,600 and 50,000,000 shares issued and outstanding, respectively	21,156,591	18,969,358
Additional paid-in capital	3,138,674	3,138,674
Accumulated other comprehensive income	(334,810)	154,272
Accumulated deficit	(24,027,558)	(23,340,595)
Total Stockholders' Equity (Deficit)	(67,103)	(1,078,291)
TOTAL LIABILITIES AND STOCKHOLDERS'		

EQUITY (DEFICIT)	$	411,054	$	1,191,928

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

SANGUI BIOTECH INTERNATIONAL, INC.

Condensed Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2009	2008	2009	2008
REVENUES	$ 23,504	$ 2,378	$ 34,621	$ 10,184
COST OF SALES	6,380	4,459	18,619	6,804
GROSS PROFIT	17,124	(2,081)	16,002	3,380
OPERATING EXPENSES				
Research and development	56,181	50,547	171,485	185,415
Depreciation and amortization	631	875	2,837	2,981
General and administrative	130,952	172,649	478,296	472,102
Total Operating Expenses	187,764	224,071	652,618	660,498
OPERATING LOSS	(170,640)	(226,152)	(636,616)	(657,118)
OTHER INCOME (EXPENSE)				
Interest income	349	102	12,300	102
Interest expense	(19,780)	(17,770)	(63,353)	(45,400)
Other income (loss)	26	-	706	-
Total Other Income (Expense)	(19,405)	(17,668)	(50,347)	(45,298)
LOSS BEFORE INCOME TAXES	(190,045)	(243,820)	(686,963)	(702,416)

PROVISION FOR INCOME TAXES	-	-	-	-
NET LOSS	$ (190,045)	$ (243,820)	$ (686,963)	$ (702,416)
OTHER COMPREHENSIVE INCOME				
Foreign currency adjustments	(3,509)	(84,658)	(489,082)	848,889
Total Other Comprehensive Income	(3,509)	(84,658)	(489,082)	848,889
COMPREHENSIVE INCOME (LOSS)	$ (193,554)	$ (328,478)	$ (1,176,045)	$ 146,473
BASIC AND DILUTED LOSS PER SHARE	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	68,048,600	50,000,000	59,024,300	50,000,000

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

SANGUI BIOTECH INTERNATIONAL, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the Nine Months Ended March 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (686,963)	$ (702,416)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation, depletion and amortization	2,837	2,981
Changes in operating assets and liabilities		
(Increase) Decrease in accounts receivable	(13,771)	8,829
(Increase) decrease in inventories	7,618	(23,966)
(Increase) decrease in prepaid expenses and other assets	18,311	5,638
(Increase) decrease in other assets	24,899	(3,912)
Increase (decrease) in accounts payable and accrued expenses	20,280	73,762
Net Cash Used in Operating Activities	(626,789)	(639,084)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(2,921)	(4,927)
Disposal of fixed assets	3,535	-
Net Cash Used in Investing Activities	614	(4,927)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received on promissory notes	374,891	1,648,512
Cash paid on notes receivable - related	-	(134,742)
Cash received on notes receivable	533,059	-
	907,950	1,513,770

	Net Cash Provided by Financing Activities			
EFFECT OF EXCHANGE RATE CHANGES		(489,082)		(848,889)
NET DECREASE IN CASH		(207,307)		20,870
CASH AT BEGINNING OF PERIOD		229,717		18,497
CASH AT END OF PERIOD	$	22,410	$	39,367
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
CASH PAID FOR:				
Interest	$	-	$	-
Income Taxes	$	-	$	-
NON CASH FINANCING ACTIVITIES:				
Common stock issued for debt	$	2,187,233	$	-

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

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

NOTE 1 - BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared without audit in accordance with accounting principles generally accepted in the United States of America for interim financial information. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. The unaudited consolidated financial statements and notes should, therefore, be read in conjunction with the consolidated financial statements and notes thereto in the Company's Form 10-KSB for the year ended June 30, 2008. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation, have been included. The results of operations for the three-month period ended March 31, 2009 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2009.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Sangui Biotech International, Inc., incorporated in Colorado in 1995, and its wholly owned subsidiaries, Sangui Biotech, Inc., SanguiBioTech AG, GlukoMediTech AG, and Sangui BioTech PTE Ltd., (collectively, the "Company") have been engaged in the research, development, manufacture, and sales of medical and cosmetic products.

On June 30, 2003, GlukoMediTech AG ("Gluko AG") was merged into Sangui BioTech AG ("Sangui AG"). Effective November 4, 2003, Sangui AG was converted into Sangui BioTech GmbH (Sangui GmbH). After completion of the restructuring, Sangui GmbH, which is headquartered in Witten, Germany, is engaged in the development of artificial oxygen carriers (external applications of hemoglobin, blood substitutes and blood additives) as well as in the development, marketing and sales of cosmetics and wound management products.

The operations of Sangui BioTech, Inc. and Sangui BioTech PTE Ltd Singapore, two former wholly-owned subsidiaries, were discontinued and dissolved during 2002.

The operations of Sangui BioTech, Inc. ("Sangui USA") were discontinued during 2002 upon the sale of its in vitro immunodiagnostics business and the subsequent merger of Sangui USA with and into the parent company, Sangui BioTech International, Inc., effective December 31, 2002. Sangui BioTech PTE Ltd ("Sangui Singapore") was a regional office for the Company that carried out research and development projects in conjunction with Sangui GmbH and Sangui Singapore. The Company discontinued the operations of Sangui Singapore in August 2002. The Singapore office was closed effective December 31, 2002.

Consolidation

The consolidated financial statements include the accounts of Sangui BioTech International, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Translation

Assets and liabilities of the Company's foreign operations are translated into U.S. dollars at period-end exchange rates. Net exchange gains or losses resulting from such translation are excluded from net loss but are included in comprehensive income (loss) and accumulated in a separate component of stockholders' equity. Income and expenses are translated at weighted average exchange rates for the period.

Risk and Uncertainties

The Company's line of future pharmaceutical products (artificial oxygen carriers or blood substitute and additives) and medical products (wound dressings and other wound management products)being developed by Sangui GmbH, are deemed as medical devices or biologics, and as such are governed by the Federal Food and Drug and Cosmetics Act and by the regulations of state agencies and various foreign government agencies. The pharmaceutical, under development in Germany, will be subject to more stringent regulatory requirements, because they are in vivo products for humans. The Company and its subsidiaries have no experience in obtaining regulatory clearance on these types of products. Therefore, the Company will be subject to the risks of delays in obtaining or failing to obtain regulatory clearance.

Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company has accumulated deficit of $24,027,558 as of March 31, 2009 and has been significantly reducing its working capital since June 30, 2004. The Company incurred a net loss applicable to common stockholders of $686,963 during the nine months ended March 31, 2009 and used cash in operating activities of $626,789 for the nine months ended March 31, 2009. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company expects to continue to incur significant capital expenses in pursuing its business plan to market its products and expand its product line, while obtaining additional financing through stock offerings or other feasible financing alternatives. In order for the Company to continue its operations at

its existing levels, the Company will require significant additional funds over the next twelve months. Therefore, the Company is dependent on funds raised through equity or debt offerings. Additional financing may not be available on terms favorable to the Company, or at all. If these funds are not available the Company may not be able to execute its business plan or take advantage of business opportunities. The ability of the Company to obtain such additional financing and to achieve its operating goals is uncertain. In the event that the Company does not obtain additional capital or is not able to increase cash flow through the increase of sales, there is a substantial doubt of its being able to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Cash and Cash Equivalents

The Company maintains its cash in bank accounts in Germany. Cash and cash equivalents include time deposits for which the Company has no requirements for compensating balances. The Company has not experienced any losses in its uninsured bank accounts. At March 31, 2009 the Company had no cash equivalents.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue is recognized when the sales amount is determined, shipment of goods to the customer has occurred and collection is reasonably assured. Product is shipped FOB origination.

Research and Development

Research and development costs are charged to operations as they are incurred. Legal fees and other direct costs incurred in obtaining and protecting patents are expensed as incurred.

Basic and Diluted Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period of computation. Diluted earnings (loss) per share gives effect to all potential dilutive common shares outstanding during the period of compensation. The computation of diluted earnings (loss) per share does not assume conversion, exercise or contingent exercise of securities that would have an antidilutive effect on earnings. As of March 31, 2009, the Company had no potentially dilutive securities that would affect the loss per share if they were to be dilutive.

Comprehensive Income (Loss)

Total comprehensive income (loss) represents the net change in stockholders' equity during a period from sources other than transactions with stockholders and as such, includes net earnings (loss). For the Company, the components of other comprehensive income (loss) are the changes in the cumulative foreign currency translation adjustments and unrealized gains (losses) on marketable securities and are recorded as components of stockholders' equity.

Inventory

Inventory consists of various raw materials, supplies, and semi-processed and fully processed cosmetics products. The Company values its inventory at the lower of cost or market. The cost is determined by specific identification method. Cost includes purchase price, freight, insurance, duties and other incidental expenses incurred in bringing inventories to their present location and condition. The Company records a reserve if the fair value of inventory is determined to be less than the cost. At March 31, 2009, no reserve for impaired inventory has been recorded.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

NOTE 3 - COMMITMENTS AND CONTINGENCIES

Litigation

The Company may, from time to time, be involved in various legal disputes resulting from the ordinary course of operating its business. Management is currently not able to predict the outcome of any such cases. However, management believes that the amount of ultimate liability, if any, with respect to such actions will not have a material effect on the Company's financial position or results of operations.

Indemnities and Guarantees

During the normal course of business, the Company has made certain indemnities and guarantees under which it may be required to make payments in relation to certain transactions. These indemnities include certain agreements with the Company's officers, under which the Company may be required to indemnify such person for liabilities arising out of their employment relationship. The duration of these indemnities and guarantees varies and, in certain cases, is indefinite. The majority of these indemnities and guarantees do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated to make significant payments for these obligations and no liabilities have been recorded for these indemnities and guarantees in the accompanying consolidated balance sheet.

NOTE 4 SIGNIFICANT EVENTS

During the nine months ended March 31, 2009, the Company increased its authorized common shares from 50 million to 260 million shares.

During the nine months ended March 31, 2009, the Company s Board of Directors resolved to convert $2,187,233 in promissory notes into 18,163,500 shares of common stock, at conversion rates of $0.09 to $0.13 per share.

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

Forward-looking Statements

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes thereto included elsewhere in this quarterly report. Some of the information in this quarterly report contains forward-looking statements, including statements related to anticipated operating results, margins, growth, financial resources, capital requirements, adequacy of the Company's financial resources, trends in spending on research and development, the development of new markets, the development, regulatory approval, manufacture, distribution, and commercial acceptance of new products, and future product development efforts. Investors are cautioned that forward-looking statements involve risks and uncertainties, which may affect our business and prospects, including but not limited to, the Company's expected need for additional funding and the uncertainty of receiving the additional funding, changes in economic and market conditions, acceptance of our products by the health care and reimbursement communities, new development of competitive products and treatments, administrative and regulatory approval and related considerations, health care legislation and regulation, and other factors discussed in our filings with the Securities and Exchange Commission.

GENERAL

The Company's mission is the development of novel and proprietary pharmaceutical, medical and cosmetic products. The Company develops its products through its wholly owned German subsidiary Sangui GmbH. The Company is seeking to market and sell some or all of their products through partnerships with industry partners.

The focus of Sangui GmbH has been the development of oxygen carriers capable of providing oxygen transport in humans in the event of acute and/or chronic lack of oxygen due to arterial occlusion, anaemia or blood loss whether due to surgery, trauma, or other causes. Sangui GmbH has thus far focused its development and commercialization efforts of such artificial oxygen carriers by reproducing and synthesizing polymers out of native hemoglobin of defined molecular sizes. Sangui GmbH, has in addition developed external applications of oxygen transporters in the medical and cosmetic fields in the form of gels and emulsions for the regeneration of the skin

Sangui GmbH holds the exclusive distribution rights for Chitoskin wound pads in the European Union and various other countries. Sangui GmbH has filed a patent cooperation treatment applications (PCT) for the production and use of improved Chitoskin wound pads using gelatine instead of collagen as the carrier substance.

Artificial Oxygen Carriers

Sangui GmbH develops several products based on polymers of purified natural porcine hemoglobin with oxygen carrying abilities that are similar to native hemoglobin. These are (1) oxygen carrying blood additives and (2) oxygen carrying blood volume substitutes.

In December 1997, Sangui GmbH decided that porcine hemoglobin should be used as the basic material for its artificial oxygen carriers. In March 1999, Sangui GmbH decided which hemoglobin hyperpolymer would go into preclinical investigation and that glutaraldehyde would be utilized as a cross linker, and further that the polymer hemoglobin be chemically masked to prevent protein interaction in blood plasma. The fine adjustment of the molecular formula of the artificial oxygen carriers - optimized for laboratory scale production - was finalized in the summer of 2000.

The experiments completed in Sangui GmbH s laboratories demonstrated that it is possible to polymerize hemoglobins isolated from porcine blood resulting in huge soluble molecules, so-called hyperpolymers. In August 2000, Sangui GmbH finalized its work on the pharmaceutical formulation of the oxygen carrier for laboratory scale. In February 2001 a pilot production in a laboratory scale was carried out in SGBI's clean room. The resulting product was applied in single volunteers in pilot self-experiments.

The blood additives and blood substitute projects were halted in 2003 due to the lack of financing for the pre-clinical test phase of the blood additives. In October 2006, a contract was entered into between Sangui GmbH and ERC Nano Med S.A. de C.V. of Monterrey, Mexico (ERC), which provides that ERC will establish a production facility in Mexico to produce sufficient quantities of the blood additive. In cooperation with the medical faculty of Monterrey University and the Mexican National Health Organizations, ERC will initiate all necessary steps to begin the pre-clinical test phase for the products as soon as possible. It is anticipated that this will lead to the FDA authorization process in due course.

According to regulatory requirements, all drugs must complete preclinical and clinical trials before approval (e.g. Federal Drug Administration approval) and market launch. The Company s management believes that the European and FDA approval process will take at a minimum several years to complete.

Nano Formulations for the Regeneration of the Skin

Healthy skin is supplied with oxygen both from the inside as well as through diffusion from the outside. A lack of oxygen will cause degenerative alterations, ranging from premature aging, to surface damage, and even as extensive as causing open wounds. The cause for the lack of oxygen may be a part of the normal aging process, but it may also be caused by burns, radiation, trauma, or a medical condition. Impairment of the blood flow, for example caused by diabetes mellitus or by chronic venous insufficiency, can also lead to insufficient oxygen supply and the resulting skin damage.

The nano-emulsion-based preparations now being sold by Sangui GmbH have been designed to supporting the regeneration of the skin by improving its oxygen supply. The products Sangui GmbH are currently focusing on are an anti-aging formulation and treatment and an anti-cellulite formulation for the cosmetics market. The products were thoroughly tested by an independent research institute and received top marks for skin moisturization, and enhanced skin elasticity, respectively.

Sangui s cosmetic business model is reliant upon cooperation with its manufacturing and distribution partners. Sangui has its various formulations produced by a contract manufacturer and sells quantities of the products either in bulk or in customized private label packaging, as requested. In addition, Sangui started to sell its cosmetic products under its own brand Pure MO2isture via an internet shop as of mid September 2006 which generates consistent sales, albeit at a low level.

On October 12, 2008, SanguiBioTech GmbH and Fanales GmbH, Recklinghausen, Germany, entered into a cooperation with regard to marketing and sales of the Pure Moisture cosmetics. The agreement comprises an initial test phase of six months. Under the terms of the mutually non-exclusive agreement, Fanales will sell Sangui s Pure Moisture cosmetics in a specialized shop in Dusseldorf and strive to establish additional distribution channels.

Chitoskin Wound Pads

In October, 2008, management and the medical staff of SanguiBioTech GmbH held a series of presentations at leading medical institutions in the Kingdom of Jordan. The series of presentations had been organized by Abu-Jabir Industrial and Marketing Consulting. This company is currently establishing a sales network for Sangui products in the Arab countries. Their distribution partner in Jordan will be the pharmaceuticals trading house Nobles Medical Supplies.

FINANCIAL POSITION

The Company's current assets decreased approximately $752,524, or 81%, from June 30, 2008 to approximately $171,009 at March 31, 2009. The increase is primarily attributable to the Company s receipt of shareholder loans receivable, and cash decreased resulting from operating expenses.

The Company's net property and equipment increased approximately $3,451, or 49% from June 30, 2008 to approximately $3,570 at March 31, 2009. The increase is primarily attributable to purchases of small office equipment items, partially offset by current period depreciation.

The Company funded its operations primarily through its existing cash reserves and cash received from the issuance of promissory notes. The Company's stockholders' deficit decreased approximately $1,011,188. The primary factor behind this increase was the Company s issuance of common stock upon conversion of promissory notes.

RESULTS OF OPERATIONS

Three months ended March 31, 2009 and 2008:

REVENUES - The Company s revenues increased 888% to $23,504 during the three months ended March 31, 2009, as compared to the comparable period in 2008. Cost of sales increased 43% to $6,380 as compared to the comparable period in 2008. These increases were primarily the result of a more focused sales effort with respect to the Company s most profitable product lines.

RESEARCH AND DEVELOPMENT - Research and development expenses increased $9,447 to approximately $56,181 in 2009 from approximately $50,547 in 2008. The increase is mainly attributed to the Company seeking to expand its product base to meet the demands of new and emerging markets. The Company is seeking additional sources to provide financing for additional research and development.

GENERAL AND ADMINISTRATIVE - General and administrative expenses decreased 24% to approximately $130,952 in 2009 from approximately $172,649 in 2008. This decrease is mainly attributed to the ongoing refocusing program.

DEPRECIATION AND AMORTIZATION - Depreciation decreased $244 to approximately $631 in 2009 from approximately $875 in 2008. This decrease is mainly attributed to the ongoing restructuring of Sangui GmbH.

NET LOSS. As a result of the above factors, the Company's consolidated net loss was approximately $190,045, or approximately $0.00 per common share, for the three months ended March 31, 2009, compared to approximately $243,820, or $0.00 per common share, during the comparable period in 2008.

Nine months ended March 31, 2009 and 2008:

REVENUES - The Company s revenues increased 236% to $10,184 during the nine months ended March 31, 2009, as compared to the comparable period in 2008. Cost of sales increased 174% to $18,619 as compared to the comparable period in 2008. These increases were primarily the result of a more focused sales effort with respect to the Company s most profitable product lines.

RESEARCH AND DEVELOPMENT - Research and development expenses decreased $13,930 to approximately $171,485 in 2009 from approximately $185,415 in 2008. The decrease is mainly attributed to the Company seeking to refocus on the marketing and sale of its most profitable products. The Company is seeking additional sources to provide financing for additional research and development.

GENERAL AND ADMINISTRATIVE - General and administrative expenses increased 1% to approximately $478,296 in 2009 from approximately $472,102 in 2008. This insignificant increase is primarily attributable to the fact that the Company continues to grow as its product lines and market base continues to increase.

DEPRECIATION AND AMORTIZATION - Depreciation decreased $144 to approximately $2,837 in 2009 from approximately $2,981 in 2008. This decrease is mainly attributed to the ongoing restructuring of Sangui GmbH.

NET LOSS. As a result of the above factors, the Company's consolidated net loss was approximately $686,963, or approximately $0.01 per common share, for the nine months ended March 31, 2009, compared to approximately $702,416, or $0.01 per common share, during the comparable period in 2008.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended March 31, 2009, net cash used in operating activities increased to approximately $626,789, from approximately $639,084 in the corresponding period in 2008, primarily related to a decrease in the Company's consolidated net loss as a result of the ongoing refocusing program.

The Company had a working capital deficit of approximately $307,148 at March 31, 2009, a decrease of approximately $1,039,538 from June 30, 2008 due primarily to the Company's conversion of outstanding notes payable into commons stock. At March 31, 2009, the Company had cash of approximately $22,410. The Company will need substantial additional funding to fulfill its business plan and the Company intends to explore financing sources for its future development activities. No assurance can be given that these efforts will be successful.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4T. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

Based on an evaluation as of the date of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as required by Exchange Act Rule 13a-15. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms.

Management s Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f). Management conducted an evaluation of the effectiveness of the internal control over financial reporting using the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. As a result of management s assessment, management has determined that there is a material weakness due to the lack of segregation of duties. In order to address and resolve this weakness we will evaluate our resources and endeavor to locate and appoint additional qualified personnel to the pertinent management positions. Additionally, the Company has not instituted specific anti-fraud controls. While management found no evidence of fraudulent activity, the chief accounting officer has access to both accounting records and corporate assets, principally the operating bank account. Management believes this exposure to potential fraudulent activity is not significant either to the operations of the company or to the financial reporting; however, management is in the process of instituting controls specifically designed to address this material weakness, so as to prevent and detect on a timely basis any potential loss due to fraudulent activity.

This Report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during our last quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The term internal control over financial reporting is defined as a process designed by, or under the supervision of, the registrant s principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant s board of directors, management and other personnel, 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 and includes those policies and procedures that:

(a) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;

(b) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and

(c) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant s assets that could have a material effect on the financial statements.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

On February 14, 2007, Dr. Rainer Felfe, filed a claim (4 Ca 431/07) against the Company and its subsidiary, SanguiBioTech GmbH, with the Industrial Relations Court in Bochum, Germany (Arbeitsgericht Bochum). Dr. Felfe's claim states that he is entitled to receive outstanding wages and salaries owed to Prof. Dr. Dr. Wolfgang Barnikol by the Company, or its subsidiary, in the amount of approximately 370,000 euros (approximately US $503,200) as partial relief of a judgment rendered in a civil case against Dr. Barnikol (Oberlandesgericht Düsseldorf I 6 U 96/06). Dr. Barnikol has never made a claim against the Company, or its subsidiary, for outstanding wages with any governmental agency and acknowledges there are no outstanding wages due to him by either the Company or its subsidiary. The claim by Dr. Felfe has been declared pending by the Industrial Relations Court until a final judgment is rendered by the Federal Supreme Court in the appeal to the above civil case. The Company believes the claim lacks merit and plans to vigorously defend this claim.

The Company is not aware of pending claims or assessments, other than as described above, which may have a material adverse impact on the Company s financial position or results of operations.

ITEM 1A - RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

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 SECURITIES HOLDERS

None.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS

2.1	Exchange Agreement between MRC Legal Services LLC and SanguiBioTech International, Inc., dated of March 31, 2000 (1)
3.1	Articles of Incorporation of the Company (1)
3.2	Bylaws of the Company (1)
3.3	Amended and Restated Article of Incorporation (7)
3.4	Amended and Restated Bylaws, filed herewith (7)
4.1	Stock Option Agreement between Professor Wolfgang Barnikol and Sangui Biotech International, Inc. dated November 3, 1999 (2)
10.1	Office Lease between Brookhollow Office Park and Sangui Biotech International, Inc. dated September 4, 1996 and as amended 2000 (2)
10.2	Fee Agreement between GlukoMeditech AG and Dr. Sieglinde Borchert dated June 15, 1998 (2)
10.3	Fee Agreement between SanguiBiotech AG and Dr. Sieglinde Borchert dated June 15, 1998 (2)
10.4	Service Contract between GlukoMeditech AG and Dr. Wolfgang Barnikol dated June 30, 1998 (2)
10.5	Service Contract between SanguiBiotech AG and Dr. Wolfgang Barnikol dated June 30, 1998 (2)
10.6	Service Agreement between Axel Kleinkorres Promotionsagentur and Sangui Biotech International, Inc. dated April 26, 1999 (2)
10.7	Amendment to Service Agreement between Axel Kleinkorres Promotionsagentur and Sangui Biotech International, Inc. dated August 18, 2000 (2)
10.8	Appropriation Notice from North-Rhine-Westphalia to GlukoMediTech AG dated November 30, 1998 (2)
10.9	Appropriation Notice from North-Rhine-Westphalia SanguiBiotech AG dated November 30, 1998 (2)
10.10	Lease Contract for Business Rooms between Research and Development Centre, Witten, Germany and GlukoMeditech AG dated June 6, 2000 (2)
10.11	Additional Agreement to Lease Contract between Research and Development Centre, Witten, Germany and GlukoMeditech AG dated June 7, 2000 (2)
10.12	Additional Agreement to Lease Contract between Research and Development Centre, Witten, Germany and SanguiBiotech AG dated June 7, 2000 (2)
10.13	Assignment of Patents and Royalty Agreement with Dr. Wolfgang Barnikol (3)
10.14	Prolongation Letter for SanguiBiotech AG Grants (4)
10.15	Amended and Restated Long-Term Incentive Plan (7)
16.1	Auditor Letter from HJ & Associates, LLC (5)
21.1	Subsidiaries of the Company (6)

31.01	Certification of CEO Pursuant to Rule 13a-14(a) and 15d-14(a), filed herewith
31.02	Certification of CFO Pursuant to Rule 13a-14(a) and 15d-14(a), filed herewith
32.01	Certification Pursuant to Section 1350 of Title 18 of the United States Code, filed herewith
99.01	Press Release Dated February 9, 2009, filed herewith

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(1) Filed as an exhibit to the report on Form 8-K, filed on or about April 4, 2000

(2) Filed as an exhibit to the report on Form 10-KSB for period ended June 30, 2000, filed on October 13, 2000

(3) Filed as an exhibit to the amended report on Form 10-KSB/A for the period ended June 30, 2000, filed on November 20, 2000

(4) Filed as an exhibit to the report on Form 10-KSB for the period ended June 30, 2001, filed on September 28, 2001

(5) Filed as an exhibit to the report on Form 8-K/A filed on October 9, 2007

(6) Filed as an exhibit to the report on Form 10-QSB for the period ended September 30, 2006, filed on June 10, 2008

(7) Filed as an exhibit to the report on Form 10-Q for the period ended December 31, 2008, filed on February 24, 2009

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.

SANGUI BIOTECH INTERNATIONAL, INC.

Dated: May 20, 2009

/s/ Thomas Striepe

By: Thomas Striepe

Chief Executive Officer

Dated: May 20, 2009

/s/ Joachim Fleing

By: Joachim Fleing

Chief Financial Officer