

SANGUI BIOTECH INTERNATIONAL INC
Form 10-Q
April 12, 2011

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: **September 30, 2009**

Commission file number: 0-21271

SANGUI BIOTECH INTERNATIONAL, INC.

(Exact name of Registrant as specified in Its Charter)

Colorado
(State or Other Jurisdiction of
Incorporation or Organization)

84-1330732
(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)

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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 . 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 . (Do not check if a smaller reporting company) .
Smaller reporting company .

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

Yes . No .

As of March 15, 2011, there were 100,942,340 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 September 30, 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 September 30, 2009 and our unaudited consolidated statements of operations for the three month periods ended September 30, 2009 and 2008, are attached hereto and incorporated herein by this reference.

SANGUI BIOTECH INTERNATIONAL, INC.

Consolidated Balance Sheets

ASSETS

	September 30, 2009 (Unaudited)	June 30, 2009
CURRENT ASSETS		
Cash	\$ 24,750	\$ 12,353
Accounts receivable, net	6,167	5,150
Inventory	30,288	29,818
Prepaid expenses and other assets	15,234	3,717
Total Current Assets	76,439	51,038
PROPERTY AND EQUIPMENT, Net	2,728	3,184
OTHER ASSETS		
Tax refunds receivable	35,957	24,755
Other non-current assets	20,419	20,574
Total Other Assets	56,376	45,329
TOTAL ASSETS	\$ 135,543	\$ 99,551

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

SANGUI BIOTECH INTERNATIONAL, INC.

Consolidated Balance Sheets (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY
(DEFICIT)

	September 30, 2009 (Unaudited)	June 30, 2009
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 252,551	\$ 283,181
Accounts payable - related parties	24,500	117,375
Total Current Liabilities	277,051	400,556
TOTAL LIABILITIES	277,051	400,556
 STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, no par value; 5,000,000 shares authorized, -0- shares issued and outstanding	-	-
Common stock, no par value; 250,000,000 shares authorized, 74,027,449 and 69,438,500 shares issued and outstanding, respectively	21,778,991	21,409,838
Additional paid-in capital	4,621,430	4,621,430
Stock subscriptions payable	42,804	167,179
Accumulated other comprehensive income	(440,807)	(559,751)
Accumulated deficit	(26,143,926)	(25,939,701)
Total Stockholders' Equity (Deficit)	(141,508)	(301,005)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 135,543	\$ 99,551

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

SANGUI BIOTECH INTERNATIONAL, INC.

Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended September 30,	
	2009	2008
REVENUES	\$ -	\$ 2,259
COST OF SALES	-	-
GROSS PROFIT (LOSS)	-	2,259
OPERATING EXPENSES		
Research and development	52,300	30,694
Depreciation and amortization	566	1,405
General and administrative	151,958	157,344
Total Operating Expenses	204,824	189,443
OPERATING LOSS	(204,824)	(187,184)
OTHER INCOME (EXPENSE)		
Interest income	599	7,564
Interest expense	-	(22,032)
Total Other Income (Expense)	599	(14,468)
Loss before income taxes and non-controlling interest	(204,225)	(201,652)
Provision for income taxes	-	-
NET LOSS	\$ (204,225)	\$ (201,652)
OTHER COMPREHENSIVE INCOME		
Foreign currency translation adjustments	118,944	(64,408)
Total Other Comprehensive Income (Loss)	118,944	(64,408)

COMPREHENSIVE INCOME (LOSS)	\$	(85,281)	\$	(266,060)
BASIC AND DILUTED LOSS PER SHARE	\$	(0.00)	\$	(0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		71,509,857		50,000,000

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

SANGUI BIOTECH INTERNATIONAL, INC.
Consolidated Statements of Stockholders' Equity (Deficit)
(unaudited)

	Common Shares	Stock Amount	Additional Paid-In Capital	Stock Subscription Payable	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance, June 30, 2008	50,000,000	\$ 18,969,358	\$ 3,099,135	\$ 167,179	\$ (592,006)	\$ (23,623,769)	\$ (1,980,103)
Currency translation adjustment	-	-	-	-	32,255	-	32,255
Amortization of beneficial conversion feature on promissory notes converted	-	-	1,522,295	-	-	-	1,522,295
Common shares issued in conversion of promissory notes at prices from \$0.06 to \$0.24 per share	18,163,500	2,367,958	-	-	-	-	2,367,958
Common shares issued for cash at \$0.057 per share	1,275,000	72,522	-	-	-	-	72,522
Net loss for the year ended June 30, 2009	-	-	-	-	-	(2,315,932)	(2,315,932)
Balance, June 30, 2009	69,438,500	21,409,838	4,621,430	167,179	(559,751)	(25,939,701)	(301,005)

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Common shares issued for services at \$0.109 per share	10,000	1,090	-	-	-	-	1,090
Common shares issued for cash at \$0.082 per share	4,578,949	368,063	-	(155,371)	-	-	212,692
Cash received for stock subscriptions payable at \$0.057 per share	-	-	-	30,996	-	-	30,996
Net loss for the three months ended September 30, 2009	-	-	-	-	118,944	(204,225)	(85,281)
Balance, September 30, 2009	74,027,449	\$21,778,991	\$4,621,430	\$42,804	\$ (440,807)	\$ (26,143,926)	\$ (141,508)

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

SANGUI BIOTECH INTERNATIONAL, INC.

Statements of Cash Flows

(Unaudited)

	For the Three Months Ended September 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (204,225)	\$ (201,652)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	567	1,405
Common stock issued for services	1,090	-
Changes in operating assets and liabilities		
Accounts receivable	(801)	821
Inventory	668	(22,341)
Prepaid expenses and other assets	(20,411)	31,233
Accounts payable and accrued expenses	(134,756)	(20,093)
Net Cash Used in Operating Activities	(357,868)	(210,627)
CASH FLOWS FROM INVESTING ACTIVITIES	-	221
CASH FLOWS FROM FINANCING ACTIVITIES		
Common stock sold for cash	249,640	-
Change in notes payable - related	171,643	-
Change in notes receivable - related	-	110,554
Net Cash Provided by Financing Activities	421,283	110,554
EFFECTS OF EXCHANGE RATES	(51,018)	(64,408)
NET INCREASE (DECREASE) IN CASH	12,397	(164,260)
CASH AT BEGINNING OF PERIOD	12,353	229,717
CASH AT END OF PERIOD	\$ 24,750	\$ 65,457

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

CASH PAID FOR:

Interest	\$	-	\$	-
Income Taxes	\$	-	\$	-

NON CASH FINANCING ACTIVITIES:

Common stock issued for debt	\$	-	\$	-
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The accompanying notes are an integral part of these 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-K for the year ended June 30, 2009. 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 September 30, 2009 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2010.

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., Sangui BioTech 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 products, 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 \$26,143,926 as of September 30, 2009 and has been significantly reducing its working capital since June 30, 2004. The Company incurred a net loss applicable to common stockholders of \$204,225 during the three months ended September 30, 2009 and used cash in operating activities of \$357,868 for the three months ended September 30, 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 September 30, 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 September 30, 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 both semi-processed and fully-processed cosmetics products. The Company values its inventory at the lower of cost or market. The cost is determined by the 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 September 30, 2009, a reserve of \$106,723 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 COMMON STOCK

On July 30, 2009 the Company issued an aggregate amount of 1,298,949 shares of its Common Stock at approximately \$0.115 per share in exchange for cash proceeds of \$149,420.

On August 7, 2009 the Company issued an aggregate amount of 1,280,000 shares of its Common Stock to two (2) individuals and/or entities, at approximately \$0.057 per share, in exchange for cash proceeds of \$73,443. The Company also issued 10,000 shares as a replacement for a lost certificate valued at \$1,090.

On September 10, 2009 the Company issued an aggregate amount of 2,000,000 shares of its Common Stock to an individual and/or entity, at approximately \$0.073 per share, in exchange for cash proceeds of \$145,201.

NOTE 5 SUBSEQUENT EVENTS

In November 2009 the Company issued an aggregate amount of 750,000 shares of its Common Stock to two (2) individuals and/or entities, at approximately \$0.06 per share, in exchange for cash proceeds of \$42,804. The Company also issued 1,638,476 shares for services valued \$0.18 per share for a total of \$294,926.

In December 2009 the Company issued an aggregate of 708,340 shares of its Common Stock to three (3) individuals and/or entities, at approximately \$0.09 per share, in exchange for cash proceeds of \$66,264.

In January 2010 the Company issued an aggregate of 875,000 shares of its Common Stock to two (2) individuals and/or entities, at approximately \$0.10 per share, in exchange for cash proceeds of \$84,953.

In March 2010 the Company issued an aggregate of 166,670 shares of its Common Stock to one (1) individual and/or entity, at approximately \$0.08 per share, in exchange for cash proceeds of \$13,628. The Company also issued an aggregate of 144,150 shares of its Common Stock to one (1) individual and/or entity, at approximately \$0.11 per share, in exchange for services valued at \$15,568.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

NOTE 5 SUBSEQUENT EVENTS (Continued)

In May 2010 the Company issued an aggregate of 127,083 shares of its Common Stock to one (1) individual and/or entity, at approximately \$0.11 per share, in exchange for services valued at \$13,725. The Company also issued an aggregate of 200,000 shares of its Common Stock to one (1) individual and/or entities, at approximately \$0.064 per share, in exchange for cash proceeds of \$12,732.

In June 2010 the Company issued an aggregate of 345,000 shares of its Common Stock to various individuals and/or entities, at approximately \$0.083 per share, in exchange for services valued at of \$28,635. The Company also issued an aggregate of 620,000 shares of its Common Stock to two (2) individual and/or entities, at approximately \$0.076 per share, in exchange for cash proceeds of \$47,528.

In July 2010 the Company issued an aggregate of 355,115 shares of its Common Stock to one (1) individual, at approximately \$0.078 per share, in exchange for services valued at \$27,634. The Company also issued an aggregate of 1,000,000 shares of its Common Stock to two (2) individuals and/or entities, at approximately \$0.061 per share, in exchange for cash proceeds of \$60,910.

In August 2010 the Company issued an aggregate of 1,200,000 shares of its Common Stock to two (2) individuals, at approximately \$0.015 per share, from the long-term incentive plan, totaling an expense of \$18,000.

In September 2010 the Company issued an aggregate of 2,134,000 shares of its Common Stock to various individuals and/or entities, at approximately \$0.013 per share, in exchange for cash totaling \$28,141. The Company also issued an aggregate of 240,000 shares of its Common Stock to one (1) individual, at approximately \$0.07 per share, in exchange for services valued at \$16,800.

In October 2010 the Company issued an aggregate of 606,163 shares of its Common Stock to one (1) individual, at approximately \$0.073 per share, in exchange for services totaling \$44,498. The Company also issued an aggregate of 1,500,000 shares of its Common Stock to one (1) individual and/or entities, at approximately \$0.099 per share, in

exchange for cash proceeds of \$149,031.

In November 2010 the Company issued 100,000 shares of its Common Stock to one (1) individual, at \$0.072 per share, in exchange for services valued at approximately \$7,200.

In December 2010 the Company issued an aggregate of 5,450,313 shares of its Common Stock to various individuals, at approximately \$0.051 per share, in exchange for services valued at approximately \$275,004. The Company also issued an aggregate of 1,186,667 shares of its Common Stock to two (2) individual and/or entities, at approximately \$0.105 per share, in exchange for cash proceeds of \$124,297.

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, anemia 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 as well as in the form of a hemoglobin-based wound spray.

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.

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.

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.

Chitoskin Wound Pads

In September, 2009, it was decided to terminate the cooperation with the former contract manufacturer of the wound pads. Distribution and sales of the product were stopped due to a less than satisfactory profitability. In the subsequent quarters, the management of SanguiBioTech GmbH identified another contract manufacturer in Germany who ran production tests in the course of calendar year 2010. In March, 2011, this facility is in the process of obtaining certification according to CE standards. It has not been determined, however, as to when production of the wound pads will be resumed.

FINANCIAL POSITION

Our current assets increased approximately \$25,401, or 49.8%, from June 30, 2009 to approximately \$76,439 at September 30, 2009. The increase is primarily attributable to the our receipt of investments in shares of common stock of the company as well as to an increase in prepaid expenses, in particular due to advance payments of patent fees.

Our net property and equipment decreased approximately \$456, or 14.3% from June 30, 2009 to approximately \$2,728 at September 30, 2009. The decrease is primarily attributable to current period depreciation.

We funded our operations primarily through its existing cash reserves and cash received from the issuance of share of common stock. Our stockholders' deficit decreased approximately \$159,497. The primary factor behind this decrease was our issuance of common stock for cash and services.

RESULTS OF OPERATIONS

Three months ended September 30, 2009 and 2008:

REVENUES - We did not record revenues during the three months ended September 30, 2009 in the comparable period of 2008 we had revenues of \$2,259. Correspondingly, no cost of sales were incurred in the first quarter of the 2010 financial year.

RESEARCH AND DEVELOPMENT - Research and development expenses increased \$21,606 to approximately \$52,300 in 2009 from approximately \$30,694 in 2008. The increase is mainly attributed to our pursuit to expand its product base to meet the demands of new and emerging markets. We are seeking additional sources to provide financing for additional research and development.

GENERAL AND ADMINISTRATIVE - General and administrative expenses decreased 3.4% to approximately \$151,958 in 2009 from approximately \$157,344 in 2008. This decrease is mainly attributed to the ongoing cost cutting program.

DEPRECIATION AND AMORTIZATION - Depreciation decreased \$839 to approximately \$566 in 2009 from approximately \$1,405 in 2008. This decrease is mainly attributed to the ongoing restructuring of Sangui GmbH.

NET LOSS - As a result of the above factors, our consolidated net loss was approximately \$204,225, or approximately \$(0.00) per common share, for the three months ended September, 2009, compared to approximately \$201,652, or \$(0.00) per common share, during the comparable period in 2008.

LIQUIDITY AND CAPITAL RESOURCES

For the three months ended September 30, 2009, net cash used in operating activities increased to approximately \$357,868, from approximately \$210,627 in the corresponding period in 2008, primarily related to an increase in prepaid expenses as well to a decrease in accounts payable to related parties.

We had a working capital deficit of approximately \$141,508 at September 30, 2009, a decrease of approximately \$159,497 from June 30, 2009 due primarily to our conversion of outstanding notes payable into commons stock. At September 30, 2009, we had cash of approximately \$24,750. We will need substantial additional funding to fulfill our business plan and we intend 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 § 229.10(f)(1) and are not required to provide the information under this item.

Item 4T - Controls and Procedures

Disclosure Controls and Procedures

As of the date of the end of the period covered by 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.

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.

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 as of June 30, 2009, 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. Based on the evaluation of the effectiveness of the internal controls over financial reporting as of June 30, 2009, management has concluded that our internal controls over financial reporting were not effective as of the end of the period covered by this report.

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 endeavor to locate and appoint additional qualified personnel to the board of directors and pertinent officer positions as our financial means allow. To date, our limited financial resources have not allowed us to hire the additional personnel necessary to address this material weakness.

Additionally, as a result of management's assessment, management has determined that there is a significant deficiency with regard to the lack of a backup process for electronic financial information. There is no stored backup offsite or in a media safe, and as such, there are no regularly run test restorations of said financial information. In order to address and resolve this deficiency we are currently researching the options available given our financial means to have a regularly scheduled and dependable offsite backup of our Company records.

Lastly, 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 Annual 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 fiscal quarter (our fourth fiscal quarter in the case of an annual report) 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). The plaintiff'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 EUR370,000 (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. We believe the claim lacks merit and plan to vigorously defend our position. No briefs were exchanged nor hearings called for by the Court in our fiscal year ended June 30, 2009 nor in the fiscal year subsequent to this report ended June 30, 2010.

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 and are not required to provide the information under this item.

Item 2 - Unregistered Sales of Equity Securities and Use Of Proceeds

On July 30, 2009 the Company issued an aggregate amount of 1,298,949 shares of its Common Stock at approximately \$0.115 per share in exchange for cash proceeds of \$149,420. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

On August 7, 2009 the Company issued an aggregate amount of 1,280,000 shares of its Common Stock to two (2) individuals and/or entities, at approximately \$0.057 per share, in exchange for cash proceeds of \$73,443. The Company also issued 10,000 shares as a replacement for a lost certificate valued at \$1,090. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

On September 10, 2009 the Company issued an aggregate amount of 2,000,000 shares of its Common Stock to an individual and/or entity, at approximately \$0.073 per share, in exchange for cash proceeds of \$145,201. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

Subsequent to the period covered by this report

In November 2009 the Company issued an aggregate amount of 750,000 shares of its Common Stock to two (2) individuals and/or entities, at approximately \$0.06 per share, in exchange for cash proceeds of \$42,804. The Company also issued 1,638,476 shares for services valued \$0.18 per share for a total of \$294,926. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

In December 2009 the Company issued an aggregate of 708,340 shares of its Common Stock to three (3) individuals and/or entities, at approximately \$0.09 per share, in exchange for cash proceeds of \$66,264. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

In January 2010 the Company issued an aggregate of 875,000 shares of its Common Stock to two (2) individuals and/or entities, at approximately \$0.10 per share, in exchange for cash proceeds of \$84,953. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

In March 2010 the Company issued an aggregate of 166,670 shares of its Common Stock to one (1) individual and/or entity, at approximately \$0.08 per share, in exchange for cash proceeds of \$13,628. The Company also issued an aggregate of 144,150 shares of its Common Stock to one (1) individual and/or entity, at approximately \$0.11 per share, in exchange for services valued at \$15,568. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

In May 2010 the Company issued an aggregate of 127,083 shares of its Common Stock to one (1) individual and/or entity, at approximately \$0.108 per share, in exchange for services valued at \$13,725. The Company also issued an aggregate of 200,000 shares of its Common Stock to one (1) individual and/or entities, at approximately \$0.064 per share, in exchange for cash proceeds of \$12,732. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

In June 2010 the Company issued an aggregate of 345,000 shares of its Common Stock to various individuals and/or entities, at approximately \$0.083 per share, in exchange for services valued at of \$28,635. The Company also issued an aggregate of 620,000 shares of its Common Stock to two (2) individual and/or entities, at approximately \$0.076 per share, in exchange for cash proceeds of \$47,528. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

In July 2010 the Company issued an aggregate of 355,115 shares of its Common Stock to one (1) individual, at approximately \$0.078 per share, in exchange for services valued at \$27,634. The Company also issued an aggregate of 1,000,000 shares of its Common Stock to two (2) individuals and/or entities, at approximately \$0.061 per share, in exchange for cash proceeds of \$60,910. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

In August 2010 the Company issued an aggregate of 1,200,000 shares of its Common Stock to two (2) individuals, at approximately \$0.015 per share, from the long-term incentive plan, totaling an expense of \$18,000. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

In September 2010 the Company issued an aggregate of 2,134,000 shares of its Common Stock to various individuals and/or entities, at approximately \$0.034 per share, in exchange for cash totaling \$28,141. The Company also issued an aggregate of 240,000 shares of its Common Stock to one (1) individual, at approximately \$0.07 per share, in exchange for services valued at \$16,800. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

In October 2010 the Company issued an aggregate of 606,163 shares of its Common Stock to one (1) individual, at approximately \$0.073 per share, in exchange for services totaling \$44,498. The Company also issued an aggregate of 1,500,000 shares of its Common Stock to one (1) individual and/or entities, at approximately \$0.099 per share, in exchange for cash proceeds of \$149,031. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

In November 2010 the Company issued 100,000 shares of its Common Stock to one (1) individual, at \$0.072 per share, in exchange for services valued at approximately \$7,200. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

In December 2010 the Company issued an aggregate of 5,450,313 shares of its Common Stock to various individuals, at approximately \$0.051 per share, in exchange for services valued at approximately \$275,004. The Company also issued an aggregate of 1,186,667 shares of its Common Stock to two (2) individual and/or entities, at approximately \$0.105 per share, in exchange for cash proceeds of \$124,297. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS

Exhibit Description

- 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

⁽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

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- (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: April 8, 2011

/s/ Thomas Striepe

By: Thomas Striepe

Chief Executive Officer

Dated: April 8, 2011

/s/ Joachim Fleing

By: Joachim Fleing

Chief Financial Officer