SANGUI BIOTECH INTERNATIONAL INC
Form 10QSB/A
October 16, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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FORM 10-QSB/A
(Amendment No. 1)

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly period Ended: September 30, 2007; or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period _____ to _____

Commission File Number: 0-21271

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SANGUI BIOTECH INTERNATIONAL, INC.

_____

(Exact name of Small Business Issuer 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

_____

(Issuer's telephone number, including area code)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that a registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

The number of shares outstanding of the issuer's common stock, no par value, as of October 14, 2008, was 50,000,000

Transitional Small Business Disclosure Format. Yes o No x

SANGUI BIOTECH INTERNATIONAL, INC.

Report on Form 10-QSB/A

For the Quarter Ended September 30, 2007

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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-QSB 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, 2007 and our unaudited consolidated statements of operations for the three month periods ended September 30, 2007 and 2006, and the unaudited consolidated statements of cash flows for the three month periods ended September 30, 2007 and 2006, are attached hereto and incorporated herein by this reference.

SANGUI BIOTECH INTERNATIONAL, INC.
Condensed Consolidated Balance Sheets

ASSETS

CURRENT ASSETS	September 30, 2007 (Unaudited)	June 30, 2007
Cash	$ 38,928	$ 18,497
Accounts receivable	24,430	36,387
Inventory	94,337	88,353
Prepaid expenses and other assets	11,675	16,890
Total Current Assets	169,370	160,127
FIXED ASSETS, Net		
Property and equipment	6,068	4,530
Total Fixed Assets	6,068	4,530
OTHER ASSETS		
Tax refunds receivable	27,959	6,218
Other miscellaneous assets	62,425	93,871
Total Other Assets	90,384	100,089
TOTAL ASSETS	$ 265,822	$ 264,746

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)

	September 30, 2007 (Unaudited)	June 30, 2007
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 409,147	$ 427,688
Notes payable	1,378,599	113,134
Notes payable - related	-	134,742
Total Current Liabilities	1,787,746	675,564
TOTAL LIABILITIES	1,787,746	675,564
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, no par value; 5,000,000 shares authorized, -0- shares issued and outstanding	-	-
Common stock, no par value; 50,000,000 shares authorized, 50,000,000 shares issued and outstanding	18,969,358	18,969,358
Additional paid-in capital	1,958,376	1,958,376
Treasury stock	-	-
Accumulated other comprehensive income	279,710	1,147,882
Accumulated deficit	(22,729,368)	(22,486,434)
Total Stockholders' Equity (Deficit)	(1,521,924)	(410,818)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 265,822	$ 264,746

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 September 30,	
	2007	2006
REVENUES	$ -	$ 119,475
COST OF SALES	-	77,156
GROSS PROFIT	-	42,319
OPERATING EXPENSES		
Research and development	89,502	22,389
Depreciation and amortization	1,214	7,187
General and administrative	139,391	156,655
Total Operating Expenses	230,107	186,231
OPERATING LOSS	(230,107)	(143,912)
OTHER INCOME (EXPENSE)		
Interest income	-	-
Interest expense	(12,827)	(4,774)
Other income (loss)	-	19
Total Other Income (Expense)	(12,827)	(4,755)
NET LOSS	(242,934)	(148,667)
OTHER COMPREHENSIVE INCOME		
Foreign currency translation adjustments	868,172	247,162
Unrealized gain on marketable securities	-	-
Total Other Comprehensive Income	868,172	247,162
COMPREHENSIVE INCOME (LOSS)	$ 625,238	$ 98,495

BASIC AND DILUTED LOSS PER SHARE	$ (0.00)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	50,000,000	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 Three Months Ended September 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (242,934)	$ (148,667)
Adjustments to reconcile net loss to net cash		
used by operating activities:		
Depreciation and amortization	1,214	7,187
Common stock issued for services	-	-
Changes in operating assets and liabilities		
Decrease in accounts receivable	11,957	(24,186)
Decrease (Increase) in inventories	(5,984)	(590)
(Increase) decrease in prepaid expenses and other assets	5,215	(57,050)
(increase) decrease in other assets	9,705	-
Increase (decrease) in accounts payable		
and accrued expenses	(18,541)	38,831
Net Cash Used by Operating Activities	(239,368)	(184,475)
CASH FLOWS FROM INVESTING ACTIVITIES	(2,752)	(11,517)
CASH FLOWS FROM FINANCING ACTIVITIES		
Sale of common stock for cash	-	-
Cash received on promissory notes	1,265,465	-
Payment of notes payable	(134,742)	(58,988)
Net Cash Provided by Financing Activities	1,130,723	(58,988)
EFFECT OF EXCHANGE RATE CHANGES	(868,172)	247,162
NET INCREASE (DECREASE) IN CASH	20,431	(7,818)

CASH AT BEGINNING OF PERIOD		18,497		24,548
CASH AT END OF PERIOD	$	38,928	$	16,730
SUPPLIMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
CASH PAID FOR:				
Interest	$	-	$	-
Income Taxes	$	-	$	-
NON CASH FINANCING ACTIVITIES:				
Common stock issued for debt	$	-	$	-

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, 2007. 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, 2007 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2008.

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 of glucose implant sensors.

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 pharmaceutical products (artificial oxygen carriers or blood substitute and additives) and in vivo biosensors (glucose implant sensor) 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 and biosensor 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 $22,729,368 as of September 30, 2007 and has been significantly reducing its working capital since June 30, 2004. The Company incurred a net loss applicable to common stockholders of $242,934 during the three months ended September 30, 2007 and used cash in operating activities of $239,368 for the three months ended September 30, 2007. 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, 2007 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, 2007, 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.

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.

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SANGUI BIOTECH INTERNATIONAL, INC.
Notes to the Condensed Consolidated Financial Statements

NOTE 3 – PROMISSORY NOTE

As of September 30, 2007, the Company had $1,234,800 in outstanding promissory notes payable. These notes are convertible into common stock at conversion rates of 0.09 to 0.13 and bear interest at a rate of 5.0 percent per annum.

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, subsequent to the period covered by this report, 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 focussing 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 consistant sales, albeit at a low level.

Sales of the anti-cellulite products started in August 2005 via two German TV shop programs. Sales of the anti-cellulite products via two German TV shop programs have been flat thus far this fiscal year. Additionally, distribution partners in Argentina and Mexico have purchased launch quantities in November 2005, and July 2006, respectively.

Chitoskin Wound Pads

In March 2005, SanguiBioTech GmbH was awarded the CE mark for their Chitoskin Wound Pad product. The CE mark authorizes the company to distribute and sell this medical product in the member countries of the European Union. At the same time Sangui GmbH successfully passed the ISO 9001:2000 (General Quality Management System) and ISO 13485:2003 (Quality Management System Medical Products) audits, and obtained the respective certifications. The "Chitoskin" trademark was granted to the company for the European countries effective November 1, 2004.

Karl Beese GmbH, a leading German vendor and distributor of hospital supplies began marketing and distributing the wound pad product in August 2005, and has placed several subsequent orders with the company. In addition, Karl Beese delivered large quantities of the wound pad product to a Czech distribution partner through summer 2006.

FINANCIAL POSITION

The Company's current assets increased $9,243, or 6%, from June 30, 2007 to $169,370 at September 30, 2007. The increase is primarily attributable to a $20,431 increase in cash, partially offset by small decreases in accounts receivable and prepaid expenses during the period.

The Company's net property and equipment increased $1,538, or 34% from June 30, 2007 to $6,068 at September 30, 2007. The increase is primarily attributable to minor purchases of fixed assets, 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 payable. During the three months ended September 30, 2007, the Company's stockholders' deficit

increased $1,111,106. This increase is due primarily to the issuance of $1,265,465 in promissory notes, and by the Company's current period net loss of $242,934.

RESULTS OF OPERATIONS

Three months ended September 30, 2007 and 2006:

RESEARCH AND DEVELOPMENT. Research and development expenses increased significantly to $89,502 in 2007 from $22,389 in 2006. The increase is mainly attributed to the Company’s attempting to develop new products for its expanding market base. The Company is seeking additional sources to provide financing for additional research and development.

GENERAL AND ADMINISTRATIVE. General and administrative expenses decreased 11% to $139,391 in 2007 from $156,655 in 2006. This decrease is mainly attributed to the ongoing refocusing program and an attempt to solidify the Company’s standing in new markets.

DEPRECIATION AND AMORTIZATION. Depreciation decreased 83% to $1,214 in 2007 from $7,187 in 2006. This decrease is mainly attributed to the ongoing restructuring of Sangui GmbH.

NET LOSS. As a result of the above and other factors, the Company's consolidated net loss was $242,934, or $0.00 per common share, for the three months ended September 30, 2007, compared to $148,667, or $0.01 per common share, during the comparable period in 2006.

LIQUIDITY AND CAPITAL RESOURCES

For the three months ended September 30, 2007, net cash used in operating activities increased to $239,368 from $184,475 in the corresponding period in 2006, primarily related to significant decreases in accounts receivable and accounts payable, coupled with the Company's consolidated net loss as a result of the ongoing refocusing program.

The Company had a working capital deficit of $1,618,376 at September 30, 2007, an increase of $1,102,939 from June 30, 2007. At September 30, 2007, the Company had cash of $38,928. 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 - CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Our principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Exchange Act), as of a date within 90 days of the filing date of this Quarterly Report on Form 10-QSB. Based on such evaluation, they have concluded that as of such date, our disclosure controls and procedures were not efficient enough to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms. Our principal executive officer and principal financial officer are currently working to streamline our disclosure controls and procedures, so as to adequately comply with such SEC rules and forms.

(b) Changes in internal controls. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of evaluation by our principal executive officer and principal financial officer.

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 are 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.

Except as stated above, the Company is not aware of pending claims or assessments which may have a material adverse impact on the Company’s financial position or results of operations.

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

Civil Lawsuit Involving Prof. Dr. Dr. Wolfgang Barnikol

On September 13, 2007, the District Appeal Court of Dusseldorf, Germany (Oberlandesgericht Düsseldorf I 6 U 96/06) found Prof. Dr. Dr. Wolfgang Barnikol jointly and severally liable in a civil suit to Dr. Rainer Felfe, a shareholder of the Company, in the amount of approximately 700,000 euros (approximately US $952,000, which amount includes interest and costs) for supporting the unethical selling of the Company's shares. This judgment is enforceable, but has not yet become final and absolute as Dr. Barnikol has submitted a petition of appeal to the Federal Supreme Court of Germany (Bundesgerichtshof). The Company was not and is not a party to these proceedings.

Resignation of Dr. Wolfgang Barnikol from positions of Chief Executive Officer and Chief Financial Officer

Subsequent to the period covered by this report, on March 30, 2008, Dr. Wolfgang Barnikol amicably resigned as the Company’s Chief Executive Officer and Chief Financial Officer effective April 3, 2008. Dr. Barnikol's resignation was not due to any disagreement with the Company. Dr. Barnikol remains a Director.

Appointment of Thomas Striepe as Chief Executive Officer

Subsequent to the period covered by this report, on April 8, 2008, the Board of Directors appointed Thomas Striepe to serve as Chief Executive Officer of the Company. He is a current Director of the Company. Mr. Striepe is the Vice President of Accounting and Controlling at Feedback AG, Hamburg, Germany, a financial services company. Prior to joining in 2004, he held management positions in the accounting departments of several German and international corporations. He holds an MBA from Hamburg University. Mr. Striepe does not have an employment agreement with the Company nor have the terms of a severance agreement with the Company been finalized.

Mr. Striepe has no family relationships with any other director or executive officer of the Company or any person nominated to become a director or executive officer of the Company. There are no arrangements or understandings between any of the directors or executive officers, or any other person or person pursuant to which they were selected as directors and/or officers.

Appointment of Joachim Fleing as Chief Financial Officer

Subsequent to the period covered by this report, on April 8, 2008, the Board of Directors appointed Joachim Fleing to serve as Chief Financial Officer of the Company. He is a current Director of the Company. Mr. Fleing is a communications specialist. His professional experience includes the position of a communications officer and the position as an account director at an international PR agency. Mr. Fleing holds a PhD from Wuppertal University. Mr. Fleing does not have an employment agreement with the Company, nor have the terms of any severance agreement with the Company been finalized and are thus not yet available.

Mr. Fleing has no family relationships with any other director or executive officer of the Company or any person nominated to become a director or executive officer of the Company. There are no arrangements or understandings between any of the directors or executive officers, or any other person or person pursuant to which they were selected as directors and/or officers.

Entry into Letter of Intent with HemCon

Subsequent to the period covered by this report, on April 15, 2008 the Company signed a letter of intent with HemCon Medical Techolologies, Inc. to develop technology relating to Chitosan wound care products. The Company will license exclusive worldwide sales and marketing rights in exchange for HemCon managing the submission of the Chitosan wound care products to the United States Food and Drug Administration.

Sale of Capital Securities in Wholly Owned Subsidiary

Subsequent to the period covered by this report, on April 25, 2008 the Company entered into letters of intent with various European investors to sell 10% of the capital securities of its wholly owned subsidiary, Sangui BioTech GmbH, for approximately 722,000 Euros. Payments for the purchase were received in their entirety by the Company by May 16, 2008. The closing of this transaction is subject to German Law and is anticipated to be complete within eight weeks of filing with the German Register of Commercial Companies scheduled for June 11, 2008 in Witten Germany.

One of the investors in this transaction is the current Managing Director of the wholly owned subsidiary; he is receiving his ownership interest in consideration of past services rendered for the Company in the amount of 50,000 Euros.

2nd Civil Lawsuit Involving Prof. Dr. Dr. Wolfgang Barnikol

Subsequent to the period covered by this report, on September 2, 2008, the District Court of Dusseldorf (Landgericht Düsseldorf 7 O 299/04) found Prof. Dr. Dr. Wolfgang Barnikol jointly and severally liable in a civil suit to a shareholder of the Company in the amount of approximately 150,000 euros (approximately US $204,000, which amount includes interest and costs) for supporting the unethical selling of the Company's shares. This judgment is enforceable, but has not yet become final and absolute. The Company was not and is not a party to these proceedings.

Resignation of Director

Subsequent to the period covered by this report, on September 30, 2008, Prof. Dr. Dr. Wolfgang Barnikol submitted his resignation as a Director, effective as of September 30, 2008. There were no disagreements between the Company and Dr. Barnikol that led to his resignation.

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)
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)
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

(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

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: October 15, 2008 /s/ Thomas Striepe

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By: Thomas Striepe
Chief Executive Officer

Dated: October 15, 2008 /s/ Joachim Fleing

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By: Joachim Fleing
Chief Financial Officer

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