SANGUI BIOTECH INTERNATIONAL INC
Form 10-Q
October 03, 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: March 31, 2011

Commission file number: 0-21271

SANGUI BIOTECH INTERNATIONAL, INC.

(Exact name of Registrant as specified in Its Charter)

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

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

(Address of Principal Executive Offices)

011-49-2302-915-204

(Registrant's Telephone Number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [ ] No [X]

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

Large Accelerated Filer [ ]	Accelerated Filer [ ]
Non-Accelerated Filer [ ]	Smaller Reporting Company [X]

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

Yes [ ] No [X]

As of September 12, 2011, there were 111,254,855 shares of the issuer's Common Stock, no par value, issued and outstanding.

SANGUI BIOTECH INTERNATIONAL, INC.

Quarterly Report on Form 10-Q

For the Quarterly Period Ended March 31, 2011

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PART I - FINANCIAL INFORMATION

Item 1 - Consolidated Financial Statements

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

Our unaudited consolidated balance sheet as of March 31, 2011 and our unaudited consolidated statements of operations for the three month periods ended March 31, 2011 and 2010, and the unaudited consolidated statements of cash flows for the nine month periods ended March 31, 2011 and 2010, are attached hereto and incorporated herein by this reference.

SANGUI BIOTECH INTERNATIONAL, INC.
Consolidated Balance Sheets

ASSETS

	March 31, 2011 (unaudited)	June 30, 2010
CURRENT ASSETS		
Cash	$ 161,028	$ 24,238
Accounts receivable, net	345	155
Inventory	2,914	16,186
Prepaid expenses and other assets	19,699	11,550
Total Current Assets	183,986	52,129
PROPERTY AND EQUIPMENT, Net	2,414	1,069
OTHER ASSETS		
Tax refunds receivable	1,214	18,967
Other non-current assets	21,304	21,208
Total Other Assets	22,518	40,175
TOTAL ASSETS	$ 208,918	$ 93,373

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	March 31, 2011 (unaudited)	June 30, 2010
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 304,496	$ 242,174
Accounts payable - related parties	24,946	33,459
Total Current Liabilities	329,442	275,633
TOTAL LIABILITIES	329,442	275,633
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, no par value; 10,000,000 shares authorized, -0- shares issued and outstanding	-	-
Common stock, no par value; 250,000,000 shares authorized, 100,732,340 and 79,357,148 shares issued and outstanding, respectively	23,582,124	22,379,420
Additional paid-in capital	4,621,430	4,621,430
	-	13,457

Stock subscriptions (receivable) payable		
Accumulated other comprehensive income	(171,806)	(215,671)
Accumulated deficit	(28,038,531)	(26,912,588)
Noncontrolling interest	(113,741)	(68,308)
Total Stockholders' Equity (Deficit)	(120,524)	(182,260)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	208,918	93,373

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 March 31,		For the Nine Months Ended March 31,	
	2011	2010	2011	2010
REVENUES	$ 889	$ 4,213	$ 4,612	$ 12,809
COST OF SALES	1,102	993	6,315	10,447
GROSS PROFIT (LOSS)	(213)	3,220	(1,703)	2,362
OPERATING EXPENSES				
Research and development	107,523	16,788	146,113	98,221
Depreciation and amortization	308	482	958	1,565
General and administrative	394,257	145,517	1,148,572	776,952
Total Operating Expenses	502,088	162,787	1,295,643	876,738
OPERATING LOSS	(502,301)	(159,567)	(1,297,346)	(874,376)
OTHER INCOME (EXPENSE)				
Sale of license to patents	133,725	-	133,725	-
Loss on equity investment	(8,358)	-	(8,358)	-
Other income	(7)	90	603	699
Total Other Income (Expense)	125,360	90	125,970	699
Loss before income taxes and non-controlling interest	(376,941)	(159,477)	(1,171,376)	(873,677)
Provision for income taxes	-	-	-	-
NET LOSS	(376,941)	(159,477)	(1,171,376)	(873,677)
Less: Net loss attributable to noncontrolling interest	(13,166)	-	(45,433)	-
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (363,775)	$ (159,477)	$ (1,125,943)	$ (873,677)
OTHER COMPREHENSIVE INCOME				
Foreign currency translation adjustments	(12,262)	21,519	43,865	144,773
Total Other Comprehensive Income (Loss)	(12,262)	21,519	43,865	144,773
COMPREHENSIVE INCOME (LOSS)	$ (389,203)	$ (137,958)	$ (1,127,511)	$ (728,904)

BASIC AND DILUTED				
LOSS PER SHARE	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	97,035,545	77,883,098	88,869,853	74,997,304

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

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

	Common Stock Shares	Amount	Additional Paid-In Capital	Stock Subscriptions (Receivable) Payable	Accumulated Other Comprehensive Income	Non-controlling Interest	Accumulated Deficit	Total
Balance, June 30, 2009	69,432,540	$ 21,409,838	$ 4,621,430	$ 167,179	$ (559,751)	$ -	$ (25,939,731)	$ (301,035)
Common shares issued for services at $0.14 per share	2,019,700	483,028	-	-	-	-		483,028
Common shares issued for cash at $0.08 per share	7,898,938	1,896,554	-	(167,179)	-	-		319,375
Cash received for stock subscription payable at $0.04 per share	-	-	-	13,457	-	-	-	13,4
Currency translation adjustment	-	-	-	-	344,080	-		344,080
Net loss for the year ended June 30, 2010	-	-	-	-	-	(68,308)	(972,847)	(1,041,195)
Balance, June 30, 2010	79,351,178	22,789,420	4,621,430	13,457	(215,671)	(68,308)	(26,912,578)	(772,260)
Common shares issued for services at $0.06 per share	12,304,500	653,649	-	-	-	-		653,649
Common shares issued for cash at $0.06 per share	8,770,667	535,598	-	-	-	-		535,598

Stock issued for stock subscription payable at $0.04 per share	300,000	13,457	-	(13,457)	-	-	-	
Currency translation adjustment	-	-	-	-	43,865	-	43,865	
Net loss for the nine month period ended March 31, 2011	-	-	-	-	-	(45,433)	(1,125,943)	(1,171,376)
Balance, March 31, 2011	100,732,348	2,502,124	$ 4,621,430	$ -	$ (171,806)	$ (113,741)	$ (28,038,520)	$ (21,720,513)

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

SANGUI BIOTECH INTERNATIONAL, INC.
Consolidated Statements of Cash Flows
(unaudited)

	For the Nine Months Ended March 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,171,376)	$ (873,677)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	958	1,569
Common stock issued for services	653,649	311,584
Loss on equity investment	8,358	-
Changes in operating assets and liabilities		
Accounts receivable	(161)	(2,101)
Inventory	15,235	16,808
Prepaid expenses and other assets	16,559	(21,311)
Accounts payable and accrued expenses	29,935	195,843
Related parties accounts payable	(9,379)	-
Net Cash Used in Operating Activities	(456,222)	(371,285)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity investment	(8,358)	-
Purchases of fixed assets	(2,096)	-
Net Cash Provided by Investing Activities	(10,454)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Common stock issued for cash	535,598	421,991
Proceeds from notes payable	-	49,714
Net Cash Provided by Financing Activities	535,598	471,705
EFFECTS OF EXCHANGE RATES	67,868	(100,055)
NET INCREASE (DECREASE) IN CASH	136,790	365
CASH AT BEGINNING OF PERIOD	24,238	12,353
CASH AT END OF PERIOD	$ 161,028	$ 12,718
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	$ -	$ -
Income Taxes	$ -	$ -

NON CASH FINANCING ACTIVITIES:	$ -	$ -

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

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

March 31, 2011 and June 30, 2010

(Unaudited)

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, 2010. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation, have been included. The results of operations for the three-month period ended March 31, 2011 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2011.

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

March 31, 2011 and June 30, 2010

(Unaudited)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Translation

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

Risk and Uncertainties

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

Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company has accumulated deficit of $28,038,531 as of March 31, 2011 and has been significantly reducing its working capital since June 30, 2004. The Company incurred a net loss applicable to common stockholders of $1,125,943 during the nine months ended March 31, 2011 and used cash in operating activities of

$456,222 for the nine months ended March 31, 2011. 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.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

March 31, 2011 and June 30, 2010

(Unaudited)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Company maintains its cash in bank accounts in Germany. Cash and cash equivalents include time deposits for which the Company has no requirements for compensating balances. The Company has not experienced any losses in its uninsured bank accounts. At March 31, 2011 the Company had no cash equivalents.

Revenue Recognition

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

Research and Development

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

Basic and Diluted Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period of computation. Diluted earnings (loss) per share gives effect to all potential dilutive common shares outstanding during the period of compensation. The

computation of diluted earnings (loss) per share does not assume conversion, exercise or contingent exercise of securities that would have an antidilutive effect on earnings. As of March 31, 2011, 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.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

March 31, 2011 and June 30, 2010

(Unaudited)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3 - COMMITMENTS AND CONTINGENCIES

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 STOCKHOLDERS EQUITY

In January 2011 the Company made use of its Long Term Incentive Program as resolved upon by the Shareholders Meeting of December 2008 and issued an aggregate of 3,300,00 shares to fourteen (14) individuals, at approximately $0.05 per share totaling $168,300.

In February 2011 the Company issued an aggregate of 307,914 to one (1) individual, at approximately $0.06 per share, in exchange for cash totaling $18,475.

In March 2011 the Company issued an aggregate of 3,200,000 shares to various individuals, at approximately $0.04 in exchange for cash proceeds of $135,345. The company also issued an aggregate of 500,000 shares to one (1) individual, at approximately $0.06 in exchange for services totaling $27,600.

NOTE 5 SIGNIFICANT EVENTS

In December 2011, SanguiBioTech GmbH established a joint venture company with SanderStrothmann GmbH of Georgsmarienhuette, Germany, under the name of sastOmed GmbH. This new enterprise is charged with obtaining the CE mark certification authorizing the distribution of the Hemospray wound spray in the member states of the European Union. SanguiBioTech GmbH has granted sastOmed GmbH global distribution rights in this regard. In exchange SanguiBioTech GmbH will be paid royalties on all future sales of this product. The Company is accounting for its investment in the joint venture using the equity method. Accordingly, the Company has recorded a loss of $8,358 for the three months ended March 31, 2011 for the joint venture.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

March 31, 2011 and June 30, 2010

(Unaudited)

NOTE 6 SUBSEQUENT EVENTS

In April 2011 the Company issued an aggregate of 8,347,500 shares to various individuals and/or entities at approximately $0.04 per share in exchange for cash proceeds of $360,741. The Company also issued 250,000 shares at $0.14 shares for services of $35,000.

In May 2011 the Company issued an aggregate of 315,000 shares to one (1) individual at approximately $0.04 in exchange for cash proceeds of $13,613.

In June 2011 the Company issued 160,015 shares to one (1) individual at $0.10 per share in exchange for cash proceeds totaling $16,178.

In August 2011 the Company issued 1,000,000 shares to one (1) individual as a stock subscription payable at $0.10 per share. The Company also made use of its Long Term Incentive Program as resolved upon by the Shareholders Meeting of December 2008 and issued an aggregate of 50,000 shares to one (1) individual, at approximately $0.10 per share totaling $5,000.

In September 2011 the Company issued 400,000 shares to two (2) individual at $0.14 per share in exchange for cash proceeds totaling $58,826.

Subsequent to September 30, 2010, in September 2011, the Mexican Commission for the Authorization of Pharmaceuticals and Medical Devices officially registered the entire current range of Sangui developed wound management products as medical devices and granted permission to use this treatment on a nationwide basis. In the same month the Secretaria de Salud (Secretary of Health) of the Mexican State of Tamaulipas indicated in an official

letter that it has the firm intention to actually apply the Sangui developed wound therapy in the 22 hospitals under its direction. An exact starting date for this program has not been fixed yet. No assurance can be given that this plan will actually be carried out and whether Sangui will be able to generate revenue and earnings on the basis of this registration.

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 ninety percent 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 gelatin 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. It has not been determined, however, as to when production of the wound pads will be resumed.

Hemospray Wound Spray

SanguiBioTech GmbH has developed a novel medical product aimed at the healing of chronic wounds. The Hemospray wound spray is based on porcine hemoglobin. A series of wound treatments experiments ended in 2009

using our products and the test s, which were concluded successfully at a hospital in Mexico, results were presented at an international convention in Mexico City. The test treatments were part of an effort to achieve a registration of Hemospray for the Latin American markets and to obtain a CE-mark certification for the European markets. As of the date of this report neither registration has been attained.

In December 2010, the company established a joint venture company under the name of sastOmed GmbH with SanderStrothmann GmbH headquartered in Georgsmarienhuette, Germany. It is the purpose of the new company to obtain the CE mark certification of the Hemospray wound spray and to start producing, marketing and distributing the product on a global scale. To this effect, Sangui has granted sastOmed GmbH comprehensive and exclusive licenses on a global scale. Project management, financing and execution of the projected activities will be taken care of by the joint venture which will be headed by Michael Sander and Rene Strothmann, Managing Directors of SanderStrothmann GmbH, who in addition will contribute their experience in product development and their proven industry contacts and cooperations.

Under the terms of the contracts sastOmed will pay milestone-based downpayments as compensation for the licenses and has granted Sangui royalties on all future sales of the product.

FINANCIAL POSITION

Our current assets increased approximately $131,856 from June 30, 2010 to approximately $183,985 at March 31, 2011. The increase is primarily attributable to the issuance of shares of common stock for cash.

Our net property and equipment increased approximately $1,345, or approximately 126% from June 30, 2010 to approximately $2,414 at March 31, 2011. The increase is primarily attributable to purchases of IT equipment.

We funded our operations primarily through our existing cash reserves and cash received from the issuance of share of common stock. Our stockholders deficit decreased by approximately $61,737 to approximately $120,524. The primary factor behind this decrease was our issuance of common stock for cash and services which offset the increase of accumulated deficit.

RESULTS OF OPERATIONS

Three months ended March 31, 2011 and 2010:

REVENUES - Revenues during the three months ended March 31, 2011 amounted to $889. In the comparable period of 2010 we had revenues of $4,213. We incurred cost of sales of $1,102 in the third quarter of the 2011 financial year compared to $993 in 2010.

RESEARCH AND DEVELOPMENT - Research and development expenses increased $90,734 to approximately $107,522 in 2011 from approximately $16,788 in 2010. The increase is mainly attributed to additional activities carried out in the process of obtaining authorizations for our wound management products.

GENERAL AND ADMINISTRATIVE - General and administrative expenses increased 170.8% to approximately $394,099 in 2011 from approximately $130,952 in 2010. This increase also is mainly attributed to additional activities to obtain authorizations for our wound management products.

DEPRECIATION AND AMORTIZATION - Depreciation decreased $174 to approximately $308 in 2011 from approximately $482 in 2010. 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 $376,941, or approximately $(0.00) per common share, for the three months ended March 31, 2011, compared to approximately $159,477, or $(0.00) per common share, during the comparable period in 2010.

Nine months ended March 31, 2011 and 2010:

REVENUES - Revenues during the nine months ended March 31, 2011 came in to the amount of $4,612. In the comparable period of the previous year we had revenues of $12,809. Cost of sales decreased to $6,315 in the first nine months of the 2011 financial year from $10,447 in the comparable period of the previous year.

RESEARCH AND DEVELOPMENT - Research and development expenses increased $47,892 to approximately $146,113 in 2011 from approximately $98,221 in 2010. The increase is mainly attributed to additional activities carried out in the process of obtaining authorizations for our wound management products.

GENERAL AND ADMINISTRATIVE - General and administrative expenses increased by $371,620 to approximately $1,148,572 in 2011 from approximately $776,952 in 2010. This increase also is mainly attributed to additional activities to obtain authorizations for our wound management products.

DEPRECIATION AND AMORTIZATION - Depreciation decreased $607 to approximately $958 in 2011 from approximately $1,565 in 2010. 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 $1,171,375, or approximately $(0.01) per common share, for the nine months ended March 31, 2011, compared to approximately $873,677, or $(0.01) per common share, during the comparable period in 2010.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended March 31, 2011, net cash used in operating activities increased to approximately $456,221, from approximately $371,285 in the corresponding period in 2010.

We had a working capital deficit of approximately $145,455 at March 31, 2011, a decrease of approximately $78,049 from June 30, 2010 due primarily to our issuance of commons stock for services and cash. At March 31, 2011, we had cash of approximately $161,028. We will need substantial additional funding to fulfill our business plan and we intend to explore financing sources for our 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 4 - 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, 2010, 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, 2010, 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 Quarterly 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 neither in our fiscal year ended June 30, 2010 nor in the fiscal year subsequent to this report ended June 30, 2011.

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

In January 2011 the Company made use of its Long Term Incentive Program as resolved upon by the Shareholders Meeting of December 2008 and issued an aggregate of 3,300,00 shares to fourteen (14) individuals, at approximately $0.05. No underwriters were used. The securities were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933. The individuals receiving the common stock were intimately acquainted with the Company s business plan and proposed activities at the time of issuance, and possessed information on the Company necessary to make an informed investment decision.

In February 2011 the Company issued an aggregate of 307,914 to an individual, at approximately $0.05 per share, in exchange for services totaling $14,696. No underwriters were used. The securities were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933. The individual receiving the common stock was intimately acquainted with the Company s business plan and proposed activities at the time of issuance, and possessed information on the Company necessary to make an informed investment decision.

In March 2011 the Company issued an aggregate of 2,200,000 shares to various individuals, at approximately $0.04 in exchange for cash proceeds of $92,102. The company also issued an aggregate of 500,000 shares to an individual, at approximately$0.06 in exchange for services totaling $27,600. No underwriters were used. The securities were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933. The individuals receiving the common stock were intimately acquainted with the Company s business plan and proposed activities at the time of issuance, and possessed information on the Company necessary to make an informed investment decision.

Subsequent to the period covered by this report

In April 2011 the Company issued an aggregate of 8,347,500 shares to various individuals and/or entities at approximately $0.05 in exchange for cash proceeds of $386,297. The company also issued an aggregate of 250,000 shares to one (1) individual for services totaling $10,859. No underwriters were used. The securities were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933. The individuals and entities receiving the common stock were intimately acquainted with the Company s business plan and proposed activities at the time of issuance, and possessed information on the Company necessary to make an informed investment decision.

In May 2011 the Company issued an aggregate of 315,000 shares to an individual at approximately $0.03 in exchange for cash proceeds of $8,593. No underwriters were used. The securities were issued pursuant to an exemption from

registration provided by Section 4(2) of the Securities Act of 1933. The individual receiving the common stock was intimately acquainted with the Company s business plan and proposed activities at the time of issuance, and possessed information on the Company necessary to make an informed investment decision.

In June 2011 the company issued an aggregate of 160,015 shares to an individual for services totaling $17,270. No underwriters were used. The securities were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933. The individual receiving the common stock was intimately acquainted with the Company s business plan and proposed activities at the time of issuance, and possessed information on the Company necessary to make an informed investment decision.

Item 3 - Defaults Upon Senior Securities

None.

Item 5 - Other Information

Subsequent to the period covered by this report, in September 2011, the Mexican Commission for the Authorization of Pharmaceuticals and Medical Devices officially registered the entire current range of Sangui developed wound management products as medical devices and granted permission to use this treatment on a nationwide basis. In the same month the Secretaria de Salud (Secretary of Health) of the Mexican State of Tamaulipas indicated in an official letter that it has the firm intention to actually apply the Sangui developed wound therapy in the 22 hospitals under its direction. An exact starting date for this program has not been fixed yet. No assurance can be given that this plan will actually be carried out and whether Sangui will be able to generate revenue and earnings on the basis of this registration.

Item 6 Exhibits

1. *Financial Statements.* The unaudited Consolidated Balance Sheet of Sangui Biotech International, Inc. as of March 31, 2011 and the audited balance sheet as of June 30, 2010, the unaudited Consolidated Statements of Operations for the three month periods ended March 31, 2011 and 2010, the unaudited Consolidated Statements of Stockholders Equity (Deficit) from June 30, 2010 to March 31, 2011, and the unaudited Consolidated Statements of Cash Flows for the three-month periods ended March 30, 2011 and 2010, and together with the notes thereto, are included in this Quarterly Report on Form 10-Q.

3. *Exhibits*. The following exhibits are either filed as a part hereof or are incorporated by reference. Exhibit numbers correspond to the numbering system in Item 601 of Regulation S-K.

Exhibit Number	Description of Exhibit
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

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 3, 2011

/s/ Thomas Striepe

By: Thomas Striepe

Chief Executive Officer

Dated: October 3, 2011

/s/ Joachim Fleing

By: Joachim Fleing

Chief Financial Officer