SANGUI BIOTECH INTERNATIONAL INC
Form 10-K
October 20, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: June 30, 2011

Commission File Number: 0-21271

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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 Street 44, Witten Germany	58455
(Address of Principal Executive Offices)	(Zip Code)

49 (2302) 915-200

(Registrant s Telephone Number, including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, no par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ]. No [X]

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes [ ]. No [X]

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 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 [ ].

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ].

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 the 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 [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]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, as of the last business day of the registrant s most recently completed second fiscal quarter, at which the common stock was last sold, was approximately $7,307,752.

The number of shares of the Registrant's common stock issued and outstanding on October 14, 2011 was 116,024,855.

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CAUTIONARY STATEMENT

Some of the statements contained in this Form 10-K for Sangui Biotech International, Inc. (the Company or SGBI) discuss future expectations, contain projections of results of operation or financial condition or state other forward-looking information. These statements are subject to known and unknown risks, uncertainties, and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and is derived using numerous assumptions. Important factors that may cause actual results to differ from projections include, for example:

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the success or failure of management's efforts to implement their business strategy;

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the ability of the Company to raise sufficient capital to meet operating requirements;

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the uncertainty of consumer demand for our products;

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the ability of the Company to protect its intellectual property rights;

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the ability of the Company to compete with major established companies;

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the effect of changing economic conditions;

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the ability of the Company to attract and retain quality employees; and

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other risks which may be described in future filings with the SEC.

Words such as anticipates, expects, intends, plans, believes, seeks, estimates, and variations of such words expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking

statements. Such risks and uncertainties include those set forth herein under Risk Factors as well as those noted in the documents incorporated herein by reference. Unless required by law, the Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1.

BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

Sangui BioTech, Inc. (SBT) was incorporated in Delaware on August 2, 1996, and began operations in October 1996. Shortly after the formation of SBT, the shareholders of SanguiBioTech AG (Sangui GmbH) and GlukoMediTech AG (Gluko AG) agreed to a share swap in which all of the outstanding shares held by the shareholders would be exchanged for shares of SBT, thereby making Sangui GmbH and Gluko AG wholly owned subsidiaries of SBT. In August 1997, a publicly held company, Citadel Investment System, Inc., a Colorado corporation (Citadel), acquired one hundred percent (100%) of the outstanding common shares of Sangui BioTech, Inc., and as a result, Sangui BioTech, Inc. became a wholly owned subsidiary of Citadel. Thereafter, Citadel changed its name to Sangui BioTech International, Inc. (the Company or SGBI).

Until the end of its fiscal year 2003, SGBI's business operations were conducted through wholly owned subsidiaries. During the first quarter of the 2003 fiscal year, SBT sold its assets, and commenced a wind-down of its U.S. business operations. SBT was merged with and into SGBI effective December 31, 2002. Gluko AG was merged with Sangui GmbH effective June 30, 2003.

Sangui GmbH, the only remaining subsidiary of SGBI, develops hemoglobin-based artificial oxygen carriers for use as blood additives, blood volume substitutes and variant products thereof. Sangui GmbH has also developed an anti-aging cosmetic and a number of related products aimed at improving oxygen supply to the skin. Enhanced oxygen supply is the key to improved wound healing; therefore the Company has extended its product portfolio to contain wound pads and other wound management products. The facilities of Sangui GmbH are located on the premises of the Forschungs- und Entwicklungszentrum of the University of Witten/Herdecke, Witten, Germany.

To date, neither SGBI nor its subsidiary has had profitable operations. The Company has never been profitable, and through June 30, 2011, SGBI's accumulated deficit has exceeded $28.4 million. The Company may continue to incur substantial losses over the next several years as it pursues its development, marketing and market entry efforts, testing activities and other growth operations. The Company has adopted a program aimed at focusing SGBI s funds to accelerate time to market for its most promising and mature products.

In pursuit of this strategy SanguiBioTech GmbH established a joint venture company with SanderStrothmann GmbH of Georgsmarienhuette, Germany, in December 2010. Under the name of SastoMed GmbH this enterprise is in charge of 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 exchange SanguiBioTech GmbH will be paid royalties on all future sales of this product.

Subsequent to the period covered by this report, in September 2011, the Mexican Health Authorities registered the entire current range of Sangui developed wound management products and thus granted the authorization to apply and sell these products on a nationwide level.

SGBI's most promising potential product in the area of artificial oxygen carriers, the blood additive, however, is still in an early development stage. As such the Company will need to obtain substantial additional capital to continue its development. The Company s current key sales focus is on selling its existing cosmetics and wound management products to distribution partners or individual customers, on identifying additional industrial and distribution partners for its patents and products, and on obtaining the additional financial resources necessary to finalize the still pending certification processes of its development products.

No assurance can be given that SGBI s program will be successful.

BUSINESS OF THE COMPANY

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

The Company s focus 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, as well as in chronic wounds. We have thus far focused our development and commercialization efforts on such artificial oxygen carriers by reproducing and synthesizing polymers out of native hemoglobin of defined molecular sizes. In addition, we have developed external applications of oxygen transporters in the medical and cosmetic fields in the form of sprays for the healing of chronic wounds and of gels and emulsions for the regeneration of the skin.

SanguiBioTech GmbH holds the exclusive distribution rights for Chitoskin wound pads for the European Union and various other countries. We have filed a patent cooperation treatment application (PCT) for the production and use of improved Chitoskin wound pads using gelatin instead of collagen as the carrier substance.

PRODUCTS OF THE COMPANY

Artificial Oxygen Carriers

We develop products based on polymers of purified natural porcine hemoglobin with oxygen carrying abilities that are similar to those of native hemoglobin. These are (1) oxygen carrying blood additives, and (2) oxygen carrying blood volume substitutes.

In December 1997, it was decided that porcine hemoglobin should be used as the basic material for artificial oxygen carriers. In March 1999, we decided which hemoglobin hyperpolymer would go into preclinical investigation, 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 our laboratories demonstrated that it is possible to polymerize hemoglobins isolated from porcine blood resulting in huge soluble molecules, so-called hyperpolymers. In August 2000, we finalized our 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 our clean room. The resulting product was successfully applied in animal tests, moreover, single volunteers underwent 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.

According to regulatory requirements, all drugs must complete preclinical and clinical trials before approval (Government Regulation; No Assurance of Product Approval, see Certain Business Risks below) and market launch. The Company s management believes that the European and United States 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, by way of the blood circulation, 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.

Our nano-emulsion-based preparations have been designed to support the regeneration of the skin by improving its oxygen supply. The products were thoroughly tested by an independent research institute and received top marks for skin moisturization, and enhanced skin elasticity, respectively.

Our cosmetic business model is reliant upon cooperation with our manufacturing and distribution partners. We have our various formulations produced by a contract manufacturer and sell quantities of the products either in bulk or in customized private label packaging as requested. In addition, we started to sell our cosmetic products under our own brand Pure MO2isture via an internet shop in September 2006.

In the course of our 2008 fiscal year, we developed a comprehensive cosmetics series comprising five separate formulations including a novel skin purifier and a face care formulation using hyaluronic acid as an additional moisturizing agent. Marketing and distribution of the new series started in September, 2008. Sales of this series have remained at a low level throughout the 2010 fiscal year.

Chitoskin Wound Pads

Usually, normal (primary) wounds tend to heal over a couple of days without leaving scars following a certain sequence of phases. Burns and certain diseases impede the normal wound healing process, resulting in large, hardly healing (secondary) wounds which only close by growing new tissue from the bottom. Wound dressings serve to safeguard the wound with its highly sensitive new granulation tissue from mechanical damage as well as from infection. Using the natural polymer chitosan, Sangui s Chitoskin wound dressings show outstanding properties in supporting wound healing.

In March 2005, SanguiBioTech GmbH was awarded the CE mark for this product. The CE mark authorizes the Company to distribute and sell this medical product in the member countries of the European Union and such other countries that accept the CE mark as a valid product authorization. At the same time, we 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.

Our business model in this field is reliant upon cooperation with our manufacturing and distribution partners. We have our wound pads produced by a certified contract manufacturer and intend to sell the products to specialized industry partners. For the European markets, Karl Beese GmbH (KB), a leading German vendor and distributor of hospital supplies, acted as the lead distributor until September 2010, when our contract with KB expired. As of the date of this report we have not sought to renew our contract with KB, nor have we sought out other distribution partners.

In the course of our 2008 fiscal year we started to develop a new and improved wound pad formulation for surgical applications. Different variations of the formulation were tested in the USA and in Europe. After diligent evaluation of the test results, we now plan to amend the test design in order to arrive at a comprehensive set of basic data for future clinical testing.

Production tests were carried out in the pursuit of our search for a new contract manufacturer able and willing to produce wound dressings at a reasonable price and of the required quality. Still, no production and delivery agreement was closed so far.

Hemospray Wound Spray

SanguiBioTech GmbH has developed a novel medical product aimed at the healing of chronic wounds. Chronic wounds are a medical problem of increasing importance as they originate from widespread risk factors such as diabetes, obesity, smoking etc. Lack of oxygen supply to the cells in the wound ground is the main reason why those wounds lose their genuine healing power. Based on its concept of artificial oxygen carriers, our Hemospray wound spray product bridges the watery wound surface and permits an enhanced afflux of oxygen to the wound ground.

In 2007, subsequent to a series of successful individual therapies in Germany, and under a cooperation agreement with SanguiBioTech GmbH signed October 2006, ERC Nano-Med of Monterrey, Mexico, established its wholly-owned subsidiary Sangui Latino-America (SLA). SLA opened two wound ambulances and carried out a large number of successful wound treatments using our products in preparation of the planned registration of Hemospray for the Latin American markets.

Starting in January, 2009, the Health Authorities of the Mexican State of Tamaulipas in cooperation with SLA and supported by SanguiBioTech GmbH carried out a randomised comparative clinical study with numerous patients in the Civil Hospital of Ciudad Victoria, the state capital. The vast majority of the patients treated with our Hemospray were healed, their wounds closed, while the patients of the control group did not respond in similar manner to the conventional treatment. For ethical reasons the control group was abandoned, the patients were successfully being treated using the Sangui system. Only three patients did not respond to either therapy, in one case the wound reappeared shortly after the treatment.

In December 2010, SanguiBioTech GmbH established a joint venture company with SanderStrothmann GmbH of Georgsmarienhuette, Germany. Under the name of SastoMed GmbH this enterprise is in charge of 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 exchange SanguiBioTech GmbH will be paid royalties on all future sales of this product.

In September 2011, subsequent to the period covered by this report, the Hemospray wound spray as well as the Chitoskin wound pads were registered by the Mexican Health authorities.

Product registration procedures in Europe are currently being continued. The comprehensive clinical assessment documentation is being updated and will be submitted to the Notified Body in the course of our 2012 financial year. A Notified Body, in the European Union, is an organization that has been accredited by a Member State to assess whether a product meets certain preordained standards. Assessment can include inspection and examination of a product, its design and manufacture. For example, a Notified Body may designate that a medical device conforms to the EU Medical Devices Directive, which defines the standards for medical devices. With this Declaration of Conformity, the manufacturer can label the product with the CE Mark, which is required for distribution and sale in the EU.

PATENTS AND PROPRIETARY RIGHTS

The Company seeks patent protection for all of its research and development, and all modifi−ca−tions and improvements thereto. As of June 30, 2011 SanguiBioTech GmbH had been gran−ted 8 patents. Fur−thermore, it has applied for several additional patents, most of which have been filed in the United States of America (US), and as an international patent application with the European Pa−tent Office (EP). Validation of EP patents includes Germany, France, Great Britain, Ita−ly, and Spain. Below are listed the most pertinent of the rights held by the Company.

1. Hemoglobin-Hyperpolymers

EP 0 685 492	Process for the preparation of hemoglobin hyperpolymers of uniform molecular weight (patent granted, end of duration 2015)
US 5,985,332 EP 0 857 733	Hemoglobins provided with ligands protecting the oxygen binding sites for use as artificial oxygen carriers for direct application in medicine and biolgy, and method for the preparation thereof (patents granted, end of duration 2017)
US 6,956,052 EP1 299 457	Mammalion hemoglobin compatible with blood plasma, cross-linked and conju−gated with polyalkylene oxides as artificial medical oxygen carriers, production and use thereof (US patent granted, EP patent pending, end of duration 2020)
EP 1 249 385	Method for the production of artificial oxygen carriers from covalently cross linking hemoglobin with improved functional properties of hemoglobin by cross-linking in the presence of chemically non-reacting effectors of the oxygen affinity of the hemoglobin (patent granted, end of duration 2020)
US 7,005,414 EP 1 294 386	Synthetic oxygen transport made from cross-linked modified human or porcine hemoglobin with improved properties, method for a preparation thereof from purified material and use thereof (patents granted, end of duration 2020)
EP 1 682 167 US 2007/0049517	Use of hyperpolymer Hemoglobin for treating a pulmonary oedema (EP patent granted, US patent pending, end of duration 2023)

2. Cosmetics

EP 1 513 492	Microemulsions having a binary phase differentiability and active substance differentiability, the production thereof and their use, particularly for the topical supply of oxygen (patent granted, end of duration 2022)

3. Wound Management

EP 1 485 120	Use of one or more natural or modified oxygen carriers, devoid of plasma and cellular membrane constituents, for externally treating open, in particular chronic wounds (patent granted, end of duration 2022)
EP 1 696 971 US 2007/0148215	Therapeutically active wound dressings, production thereof, and use of the same (patents pending, end of duration 2024)

MANUFACTURING, MARKETING AND DISTRIBUTION

For the manufacturing of our products we rely on certified specialist contract manufacturers who specialize in the fields of cosmetic and medical products. Production processes have been certified and comply with the respective best practices in the industry. Production is constantly being monitored by us and by the respective certifying authorities.

We still have limited experience in the selling and marketing of our products. We are therefore dependent on attracting industry marketing and distribution partners in order to succeed in selling our products in their respective markets.

RESEARCH AND DEVELOPMENT

Research and development are charged to operations as they are incurred. Legal fees and other direct costs incurred in obtaining and protecting patents are expensed as incurred. Research and development costs totaled $313,671 and $111,567 during the fiscal years ended June 30, 2011 and 2010, respectively.

GOVERNMENT REGULATION

Sangui BioTech International, Inc. and its former United States subsidiaries are and were subject to governmental regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, and other similar laws of general application, as to all of which we believe we and our subsidiaries were in material compliance.

Although it is believed that we and our former United States subsidiaries have been in material compliance with all applicable governmental and environmental laws, rules, regulations and policies, and although no government concerns were put forward during the operation of or after the closing of the operations, there can be no assurance that the business, financial condition, and our results of operations of and those of our subsidiaries will not be materially adversely affected by future government claims with regard to unlikely, but not impossible, infringements on these or other laws resulting from our former United States operations.

Additionally, the clinical testing, manufacture, promotion and sale of a significant majority of the products and technologies, if those products and technologies are to be offered and sold in the United States, are subject to extensive regulation by numerous governmental authorities in the United States, principally the Federal Drug Administration (FDA), and corresponding state regulatory agencies. To the extent those products and technologies

are to be offered and sold in markets other than the United States, the clinical testing, manufacture, promotion and sale of those products and technologies will be subject to similar regulation by corresponding foreign regulatory agencies. In general, the regulatory framework for biological health care products is more rigorous than for non-biological health care products. Generally, biological health care products must be shown to be safe, pure, potent and effective. There are numerous state and federal statutes and regulations that govern or influence the testing, manufacture, safety, effectiveness, labeling, storage, record keeping, approval, advertising, distribution and promotion of biological health care products. Non-compliance with applicable requirements can result in, among other things, fines, injunctions, seizures of products, total or partial suspension of product marketing, and failure of the government to grant pre-market approval, withdrawal of marketing approvals, product recall and criminal prosecution.

COMPETITION

The market for our products and technologies is highly competitive, and we expect competition to increase. Experiments and clinical testing in the field of artificial oxygen carriers are being carried out by Alliance Pharmaceutical Corp. of San Diego, California. In the fields of anti-aging and anti-cellulite cosmetics, all major cosmetic vendors are actively marketing proprietary formulations. Leading wound pad providers include Johnson & Johnson, Bristol-Myers Squibb, Coloplast A/S of Denmark as well as BSNmedical, a former part of Beiersdorf AG. Currently, however, there is no product comparable to Hemospray. To the best of our knowledge, our system is the only one which may rightfully claim to systematically and regularly heal chronic wounds.

DEPENDENCE ON MAJOR CUSTOMERS

As of June 30, 2011, and 2010 the Company had no significant concentrations of sales to or receivables from specific customers.

HUMAN RESOURCES

We consider our relations with our employees to be favorable. As of June 30, 2011 we and our subsidiary had one fulltime employee, who was not involved in research and development. For management, research and development purposes, the Company had consulting arrangements with five individuals.

DIVIDENDS

We anticipate that we will use any funds available to finance our growth and that we will not pay cash dividends to stockholders in the foreseeable future.

REPORTS TO SECURITY HOLDERS

Copies of our reports, as filed with the Securities and Exchange Commission, are available and may be viewed as filed at the SEC s Public Reference Room at 450 Fifth Street, N.W., Washington D.C. 20549 or by calling 1-800-SEC-0330. Additionally they can be accessed and downloaded via the internet at http://www.sec.gov/cgi-bin/srch-edgar by simply typing in Sangui Biotech International or via the web links at the corporate website http://www.sanguibiotech.com.

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ITEM 1A.

RISK FACTORS

The risks and uncertainties described below are not the only ones facing the company, and there may be additional risks that are not presently known or are currently deemed immaterial. All of these risks may impair business operations.

The Company's present and proposed business operations will be highly speculative and subject to the same types of risks inherent in any new or unproven venture, as well as risk factors particular to the industries in which it will operate, as well as other significant risks not normally associated with investing in equity securities of United States companies, among other things, those types of risk factors outlined below.

Risk that SGBI's Common Stock may be deemed a Penny Stock

The Company's common stock may be deemed to be a penny stock as that term is defined in Rule 3a51-1 of the Exchange Act of 1934. Penny stocks are stocks (i) with a price of less than five dollars per share; (ii) that are not traded on a recognized national exchange; (iii) whose prices are not quoted on the NASDAQ automated quotation system (NASDAQ-listed stocks must still meet requirement (i) above); or (iv) of an issuer with net tangible assets of less than US$2,000,000 or US$5,000,000 (if in continuous operation for less than three years), or with average annual revenues of less than US$6,000,000 for the last three years.

A principal exclusion from the definition of a penny stock is an equity security that has a price of five dollars ($5.00) or more, excluding any broker or dealer commissions, markups or markdowns. As of the date of this report SGBI's common stock has a price less than $5.00.

If SGBI's Common Stock is at any time deemed a penny stock, section 15(g) and Rule 3a51-1 of the Exchange Act of 1934 would require broker-dealers dealing in SGBI's Common Stock to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor's account. Potential investors in SGBI's common stock are urged to obtain and read such disclosure carefully before purchasing any shares that are deemed to be penny stock.

Moreover, Rule 15g-9 of the Exchange Act of 1934 requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to (i) obtain from the investor information concerning his or her financial situation, investment

experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult for investors in SGBI's common stock to resell their shares to third parties or to otherwise dispose of them.

Moreover, market prices of penny stocks tend to show a higher volatility than others. Market activities by even a small number of individuals may cause unexpected, but significant changes of share price.

Conflicts of Interest; Related Party Transactions

The possibility exists that the Company may acquire or merge with a business or company in which the Company's executive officers, directors, beneficial owners or their affiliates may have an ownership interest. Although there is no formal bylaw, stockholder resolution or agreement authorizing any such transaction, corporate policy does not forbid it and such a transaction may occur if management deems it to be in the best interests of the Company and its stockholders, after consideration of all factors. A transaction of this nature would present a conflict of interest to those parties with a managerial position and/or an ownership interest in both the Company and the acquired entity, and may compromise management's fiduciary duties to the Company's stockholders. An

independent appraisal of the acquired company may or may not be obtained in the event a related party transaction is contemplated. Furthermore, because management and/or beneficial owners of the Company's common stock may be eligible for finder's fees or other compensation related to potential acquisitions by the Company, such compensation may become a factor in negotiations regarding such potential acquisitions. It is the Company's intention that all future transactions be entered into on such terms as if negotiated at arm s length, unless the Company is able to receive more favorable terms from a related party.

Limited Operating History of the Company; Losses Are Expected To Continue

There can be no assurance that unanticipated technical or other problems will not occur which would result in material delays in product commercialization or that the efforts of SGBI will result in successful product commercialization. SGBI has been operating at a loss and expects its costs to increase as soon as its development efforts and testing activities accelerate. It is currently unknown when profitable operations might be achieved.

Substantial Doubt that the Company Can 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.

Future Capital Needs and Uncertainty of Additional Funding

Management believes that SGBI's cash position is insufficient to cover its financing requirements for the current fiscal year, and anticipates that substantial funds will be required in order to enact SGBI's development plans. The Company will require additional cash for: (i) payment of increased operating expenses; (ii) payment of development expenses; and (iii) further implementation of its business strategies. Such additional capital may be raised by additional public or private financing, as well as borrowings and other resources. To the extent that additional capital is received by SGBI by the sale of equity or equity-related securities, the issuance of such securities will result in dilution to SGBI's shareholders. There can be no assurance that additional funding will be available on favorable terms, if at all. SGBI may also seek arrangements with collaborative partners in order to gain additional funding, marketing assistance or other contributions. However, such arrangements may require SGBI to relinquish rights or reduce its interests in certain of its technologies or product candidates. The inability of SGBI to access the capital markets or obtain acceptable financing could have a material adverse effect on the results of operations and financial condition of SGBI.

Moreover, if funds are not available from any sources, SGBI may not be able to continue to operate. During the year ended June 30, 2009 the Company increased its authorized common shares from 50 million to 250 million. This increase has given the Company increased flexibility to raise funds and/or satisfy debt obligations via equity issuances.

Dependence on Key Personnel

The future success of SGBI will depend on the service of its key scientific personnel and, additionally, its ability to identify, hire and retain additional qualified personnel. There is intense competition for qualified personnel in this industry and there can be no assurance that SGBI will be able to attract and retain personnel necessary for the development of the business of SGBI. Because of the intense competition, there can be no assurance that SGBI will be successful in adding technical personnel if needed to satisfy its staffing requirements. Failure to attract and retain key personnel could have a material adverse effect on SGBI.

SGBI and its subsidiary are dependent on the efforts and abilities of their senior management. The loss of various members from management could have a material adverse effect on the business and prospects of SGBI. There can be no assurance that upon the departure of key personnel from the service of SGBI or its subsidiary suitable replacements will be available.

Licenses and Consents

The utilization or other exploitation of the products and services developed by SGBI or its subsidiary may require SGBI or its subsidiary to obtain licenses or consents from the producers or other holders of patents, trademarks, copyrights or other similar rights (Intellectual Property) relating to the products and technologies of SGBI or its subsidiary. In the event SGBI or its subsidiary are unable, if so required, to obtain any necessary license or consent on terms which the management of SGBI or its subsidiary consider to be reasonable, SGBI or its subsidiary may be required to cease developing, utilizing, or exploiting products or technologies affected by those Intellectual Property rights. In the event SGBI or its subsidiary are challenged by the holders of such Intellectual Property rights, there can be no assurance that SGBI or its subsidiary will have the financial or other resources to defend any resulting legal action, which could be significant.

Technological Factors

The market for the products and technology developed by SGBI is characterized by rapidly changing technology, which could result in product obsolescence or short product life cycles. Similarly, the industry is characterized by continuous development and introduction of new products and technology to replace outdated products and technology. Accordingly, the ability of SGBI to compete will be dependent upon the ability of SGBI to provide new and innovative products and technology. There can be no assurance that competitors will not develop technologies or products that render the proposed products and technology of SGBI obsolete or less marketable. SGBI will be required to adapt to technological changes in the industry and develop products and technology to satisfy evolving industry or customer requirements, any of which could require the expenditure of significant funds and resources, and SGBI does not have a source or commitment for any such funds and resources. Development efforts relating to the technological aspects of the various products and technologies to be developed by SGBI are not substantially completed. Accordingly, SGBI will continue to refine and improve those products and technologies. Continued refinement and improvement efforts remain subject to the risks inherent in new product development, including unanticipated technical or other problems, which could result in material delays in product commercialization or significantly increased costs. In addition, there can be no assurance that those products and technologies will prove to be sufficiently reliable or durable in wide spread commercial application. The products or technologies sought to be developed by SGBI will be the result of significant efforts, which may result in errors that become apparent subsequent to widespread commercial utilization. In such event, SGBI would be required to modify such products or technologies and continue with additional research and development, which could delay the plans of SGBI and cause SGBI to incur additional cost.

Early Stage of Product Development; Lack of Commercial Products; No Assurance of Successful Product Development

The Company's primary efforts are devoted to the development of proprietary products involving artificial oxygen carriers.

The potential products of SGBI will require additional pre-clinical and clinical development, regulatory approval and additional investment prior to commercialization, either by SGBI independently or by others through collaborative arrangements. Potential products that appear to be promising at early stages of development may be ineffective or be shown to cause harmful side effects during pre-clinical testing or clinical trials, fail to receive necessary regulatory approvals, be difficult to manufacture, be uneconomical to produce, fail to achieve market acceptance or be precluded from commercialization by proprietary rights of others. There can be no assurance that any potential products will be successfully developed, prove to be safe and efficacious in clinical trials, satisfy applicable regulatory standards, be capable of being produced in commercial quantities at acceptable costs or achieve commercial acceptance.

All products and technologies under development by SGBI will require significant commitment of personnel and financial resources. Several products will require extensive evaluation and pre-marketing clearance by the Federal Drug Administration and comparable agencies in other countries prior to commercial sale. SGBI regularly re-evaluates its product development efforts. On the basis of these re-evaluations, SGBI may abandon development efforts for particular products. No assurance can be given that any product or technology under development will result in the successful introduction of any new product. The failure to introduce new products into the market on a timely basis could have a material adverse effect on the business, financial conditions or results of operation of SGBI.

There can be no assurance that human testing of potential products based on such technologies will be permitted by regulatory authorities or, even if human testing is permitted, that products based on such technologies will be shown to be safe and efficacious. Potential products based on the technologies of SGBI are at an early stage of testing and there can be no assurance that such products will be shown to be safe or effective.

Market Acceptance

There can be no assurance that the products and technologies of SGBI will achieve a significant degree of market acceptance, and that acceptance, if achieved, will be sustained for any significant period or that product life cycles will be sufficient (or substitute products developed) to permit SGBI to achieve or sustain market acceptance which could have a material adverse effect on the business, financial condition, and results of operations of SGBI.

Government Regulation; No Assurance of Product Approval

The clinical testing, manufacture, promotion, and sale of biotechnology and pharmaceutical products are subject to extensive regulation by numerous governmental authorities in the United States, principally the Federal Drug Administration (FDA), and corresponding state and foreign regulatory agencies prior to the introduction of those products. Management of SGBI believes that many of the potential products of SGBI will be regulated by the FDA, subject to the then current regulations of the FDA. Other federal and state statutes and regulations may govern or influence the testing, manufacture, safety, effectiveness, labeling, storage, record-keeping, approval, advertising, distribution and promotion of certain products developed by SGBI. Non-compliance with applicable requirements can result in, among other things, fines, injunctions, seizure of products, suspensions of regulatory approvals, product recalls, operating restrictions, re-labeling costs, delays in sales, cessation of manufacture of products, the imposition of civil or criminal sanctions, total or partial suspension of product marketing, failure of the government to grant pre-market approval, withdrawal of marketing approvals and criminal prosecution.

The FDA's requirements include lengthy and detailed laboratory and clinical testing procedures, sampling activities and other costly and time-consuming procedures. In particular, human therapeutic products are subject to rigorous pre-clinical and clinical testing and other approval requirements by the FDA, and other like agencies in Germany, Singapore and other countries. Although the time required for completing such testing and obtaining such approvals is uncertain, satisfaction of these requirements typically takes a number of years and varies substantially based on the

type, complexity and novelty of each product. Neither SGBI nor its subsidiary can accurately predict when product applications or submissions for FDA or other regulatory review may be submitted. Management of SGBI has no experience in obtaining regulatory clearance on these types of products. The lengthy process of obtaining regulatory approval and ensuring compliance with applicable law requires the expenditure of substantial resources. Any delays or failure by SGBI or its subsidiary to obtain regulatory approval and ensure compliance with appropriate standards could adversely affect the commercialization of such products, the ability of SGBI to earn product or royalty revenue, and its results of operations, liquidity and capital resources.

Pre-clinical testing is generally conducted in laboratory animals to evaluate the potential safety and effectiveness of a drug. The results of these studies are submitted to the FDA, which must be approved before clinical trials can begin. Typically, clinical evaluation involves a time consuming and costly three-phase process. In Phase I, clinical trials are conducted with a small number of subjects to determine the early safety profile, the pattern of drug distribution and metabolism. In Phase II, clinical trials are conducted with groups of patients afflicted with a specific disease in order to determine preliminary efficacy, optimal dosages and expanded evidence of safety. In Phase III, large-scale, multi-center, comparative trials are conducted with patients afflicted with a target disease in order to provide enough data to demonstrate the efficacy and safety required by the FDA. The FDA closely monitors

the progress of each of the three phases of clinical trials and may, at its discretion, re-evaluate, alter, suspend or terminate the testing based upon the data which have been accumulated to that point and its assessment of the risk/benefit ratio to the patient.

Clinical trials and the marketing and manufacturing of products are subject to the rigorous testing and approval processes of the FDA and foreign regulatory authorities. The process of obtaining FDA and other required regulatory approvals is lengthy and expensive. There can be no assurance that SGBI will be able to obtain the necessary approvals to conduct clinical trials for the manufacturing and marketing of products, that all necessary clearances will be granted to SGBI or their licensors for future products on a timely basis, or at all, or that FDA review or other actions will not involve delays adversely affecting the marketing and sale of the products or SGBI. In addition, the testing and approval process with respect to certain new products which SGBI may seek to introduce is likely to take a substantial number of years and involve the expenditure of substantial resources. There can be no assurance that pharmaceutical products currently in development will be cleared for marketing by the FDA. Failure to obtain any necessary approvals or failure to comply with applicable regulatory requirements could have a material adverse effect on the business, financial condition or results of operations of SGBI. Further, future government regulation could prevent or delay regulatory approval of the products of SGBI.

There can be no assurance as to the length of the clinical trial period or the number of patients the FDA will require to be enrolled in the clinical trials in order to establish the safety and effectiveness of the products of SGBI. SGBI may encounter significant delays or excessive costs in their efforts to secure necessary approvals, and regulatory requirements are evolving and uncertain. Future United States or foreign legislative or administrative acts could also prevent or delay regulatory approval of the products of SGBI. If commercial regulatory approvals are obtained, they may include significant limitations on the indicated uses for which a product may be marketed. In addition, a marketed product is subject to continual FDA review. Later discovery of previously unknown problems or the failure to comply with the applicable regulatory requirements may result in restrictions on the marketing of a product, or even the removal of the product from the market, as well as possible civil or criminal sanctions. Failure of SGBI to obtain marketing approval for any of their products under development on a timely basis, or FDA withdrawal of marketing approval once obtained, could have a material adverse effect on the business, financial condition and results of operations of SGBI.

Any party that manufactures therapeutic or pharmaceutical products is required to adhere to applicable standards for manufacturing practices and to engage in extensive record keeping and reporting. Any of the manufacturing facilities of SGBI are subject to periodic inspection by state and federal agencies, including the FDA and comparable agencies in foreign countries.

The effect of governmental regulation may be to delay the marketing of new products for a considerable period of time, to impose costly requirements on the activities of SGBI or to provide a competitive advantage to other companies that compete with SGBI. There can be no assurance that FDA or other regulatory approval for any products developed by SGBI will be granted on a timely basis, if at all or, if granted, that compliance with regulatory standards will be maintained. Adverse clinical results by SGBI could have a negative impact on the regulatory process and timing. A delay in obtaining, or failure to obtain, regulatory approvals could preclude or adversely affect the marketing of products and the liquidity and capital resources of SGBI. The extent of potentially adverse governmental regulation that might result from future legislation or administrative action cannot be predicted.

Additionally, SGBI will be subject to regulatory authorities in Germany and other countries governing clinical trials and product sales. Even if FDA approval is obtained, approval of a product by the comparable regulatory authorities of other countries must be obtained prior to the commencement of marketing the product in those countries. The approval process varies from country to country and the time required may be longer or shorter than that required for FDA approval. The foreign regulatory approval process includes all of the risks associated with obtaining FDA approval set forth above, and approval by the FDA does not ensure approval by the health authorities of any other country. There can be no assurance that any foreign regulatory agency will approve any product submitted for review by SGBI.

SGBI is subject to various federal, state and local laws, regulations and recommendations relating to safe working conditions, laboratory and manufacturing practices, the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances, including radioactive compounds and infectious disease agents, used in connection with its research work. The extent and character of governmental regulation that might result from future legislation or administrative action cannot be accurately predicted.

Intense Competition

Competition in the biotechnology, pharmaceutical and cosmetic industries is intense and is expected to increase. In the field of its medical and cosmetic products SGBI and its subsidiary compete directly with the research departments of biotechnology and pharmaceutical companies, chemical companies and, possibly, joint collaborations between chemical companies and research and academic institutions. Management of SGBI is aware that other companies and businesses have developed and are in the process of developing technologies and products, which may be competitive with the products and technologies developed and offered by SGBI. Eventually, this might include the field of blood additives where there is no known direct competition at present. The biotechnology and pharmaceutical industries continue to undergo rapid change. There can be no assurance that competitors have not or will not succeed in developing technologies and products that are more effective than any which have been or are being developed by SGBI or which would render the technology and products of SGBI obsolete. Many of the competitors of SGBI have substantially greater experience, financial and technical resources and production, marketing and development capabilities than SGBI. Accordingly, certain of those competitors may succeed in obtaining regulatory approval for products more rapidly or effectively than SGBI.

Uncertainties Associated With Patents and Proprietary Rights

The success of SGBI and its subsidiary may depend in part on their ability to obtain patents for their technologies and products, if any, resulting from the application of such technologies, to defend patents once obtained and to maintain trade secrets, both in the United States and in foreign countries.

The success of SGBI will also depend on avoiding the infringement of patents issued to competitors. There can be no assurance that SGBI will be able to obtain patent protection for products based upon the technology of SGBI. Moreover, there can be no assurance that any patents issued to SGBI or its subsidiary will not be challenged, invalidated or circumvented or that the rights granted there under will provide competitive advantages to SGBI. Litigation, which could result in substantial cost to SGBI, may be necessary to enforce the patent and license rights of SGBI or to determine the scope and validity of its and others' proprietary rights.

Due to the length of time and expense associated with bringing new products through development and the length of time required for the governmental approval process, the biotechnology and pharmaceutical industries have traditionally placed considerable importance on obtaining and maintaining patent and trade secret protection for significant new technologies, products and processes. The enforceability of patents issued to biotechnology and

pharmaceutical firms can be highly uncertain. U.S. Federal court decisions establishing legal standards for determining the validity and scope of patents in the field are in transition. In addition, there can be no assurance that patents will be issued or, if issued, any such patents will afford SGBI protection from infringing patents granted to others.

A number of biotechnology and pharmaceutical companies, and research and academic institutions, have developed technologies, filed patent applications or received patents on various technologies that may be related to the business of SGBI and its subsidiary. Some of these technologies, applications or patents may conflict with the technologies of SGBI. Such conflicts could also limit the scope of the patents, if any, that SGBI or its subsidiary may be able to obtain or result in the denial of the patent applications of SGBI.

Many of the competitors of SGBI are, have, or are affiliated with companies having, substantially greater resources than SGBI, and such competitors may be able to sustain the costs of complex patent litigation to a greater degree and for longer periods of time than SGBI. Uncertainties resulting from the initiation and continuation of any patent or related litigation could have a material adverse effect on the ability of SGBI to compete in the marketplace pending resolution of the disputed matters. Moreover, an adverse outcome could subject SGBI to significant liabilities to third parties and require SGBI to license disputed rights from third parties or cease using the technology. In the event that third parties have or obtain rights to intellectual property or technology used or needed by SGBI, there can be no assurance that any licenses would be available to SGBI or would be available on terms reasonably acceptable to SGBI.

SGBI may rely on certain proprietary technologies, trade secrets, and know-how that are not patentable. Although SGBI has taken steps to protect their unpatented trade secrets and technology, in part through the use of confidentiality agreements with their employees, consultants and certain of its contractors, there can be no assurance that: (i) these agreements will not be breached; (ii) SGBI would have adequate remedies for any breach; or (iii) the proprietary trade secrets and know-how of SGBI will not otherwise become known or be independently developed or discovered by competitors.

Risk of Product Liability; Potential Unavailability of Insurance

The business of SGBI will expose it to potential product liability risks that are inherent in the testing, manufacturing and marketing of human pharmaceutical and therapeutic products. SGBI does not currently have product liability insurance, and there can be no assurance that SGBI will be able to obtain or maintain such insurance on acceptable terms or, if obtained, that such insurance will be adequate to cover potential product liability claims or that a loss of insurance coverage or the assertion of a product liability claim or claims would not materially adversely affect the business, financial condition and results of operations of SGBI. SGBI faces an inherent business risk of exposure to product liability and other claims in the event that the development or use of its technology or products is alleged to have resulted in adverse effects. Such risk exists even with respect to those products that are manufactured in licensed and regulated facilities or that otherwise possess regulatory approval for commercial sale. There can be no assurance that SGBI will avoid significant product liability exposure.

While SGBI has taken, and will continue to take, what it believes are appropriate precautions, there can be no assurance that it will avoid significant liability exposure. An inability to obtain product liability insurance at acceptable cost or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products developed by SGBI. A product liability claim could have a material adverse effect on the business, financial condition and results of operations of SGBI.

Uncertainties Relating to Pricing and Third-Party Reimbursement

The operating results of SGBI may depend in part on the availability of adequate reimbursement for the products of SGBI from third-party payers, such as government entities, private health insurers and managed care organizations. Third-party payers are increasingly seeking to negotiate the pricing of medical services and products. In some cases, third-party payers will pay or reimburse a user or supplier of a product for only a portion of the purchase price of the product. In the case of the products of SGBI, payment or reimbursement by third-party payers of only a portion of the cost of such products could make such products less attractive, from a cost perspective, to users, suppliers and physicians. There can be no assurance that reimbursement, if available, will be adequate. Moreover, certain of the products of SGBI may not be of the type generally eligible for third-party reimbursement. If adequate reimbursement levels are not provided by government entities or other third-party payers for the products of SGBI, the business, financial condition and results of operations of SGBI would be materially adversely affected. A number of legislative and regulatory proposals aimed at changing the United State's health care system have been proposed in recent years. While SGBI cannot predict whether any such proposals will be adopted, or the effect that any such proposal may have on its business, such proposals, if enacted, could have a material adverse effect on the business, financial condition or results of operations of SGBI.

Risk of Product Recall; Product Returns

Product recalls may be issued at the discretion of SGBI, the FDA or other government agencies having regulatory authority for product sales and may occur due to disputed labeling claims, manufacturing issues, quality defects or other reasons. No assurance can be given that product recalls will not occur in the future. Any product recall could materially adversely affect the business, financial condition or results of operations of SGBI. There can be no assurance that future recalls or returns would not have a material adverse effect upon the business, financial condition and results of operations of SGBI.

Risks of International Sales and Operations

SGBI's results of operations are subject to fluctuations in the value of the Euro against the U.S. Dollar due to SGBI's German subsidiary. Although management of SGBI will monitor exposure to currency fluctuations, there can be no assurance that exchange rate fluctuations will not have a material adverse effect on the results of operations or financial condition of SGBI. In the future, SGBI could be required to sell its products in other currencies, which would make the management of currency fluctuations more difficult and expose SGBI to greater risks in this regard.

The products of SGBI will be subject to numerous foreign government standards and regulations that are continually being amended. Although SGBI will endeavor to satisfy foreign technical and regulatory standards, there can be no assurance that the products of SGBI will comply with foreign government standards and regulations, or changes thereto, or that it will be cost effective for SGBI to redesign its products to comply with such standards or regulations. The inability of SGBI to design or redesign products to comply with foreign standards could have a material adverse effect on SGBI's business, financial condition and results of operations.

Lack of Commercial Manufacturing and Marketing Experience

SGBI has not yet manufactured its products in commercial quantities. The Company and its manufacturing contractors and partners will be engaged in manufacturing pharmaceutical products which will be subject to stringent regulatory requirements. No assurance can be given that the Company, on a timely basis, will be able to make the transition from manufacturing clinical trial quantities to commercial production quantities successfully or be able to arrange for contract manufacturing. SGBI and its subsidiary have no experience in the sales, marketing and distribution of products. There can be no assurance that SGBI will be able to establish sales, marketing and distribution capabilities or make arrangements with collaborators, licensees or others to perform such activities or that such effort will be successful.

The manufacture of the products of SGBI involves a number of steps and requires compliance with stringent quality control specifications imposed by SGBI and by the FDA or similar regulatory bodies under the law of the respective

countries. Moreover, SGBI's products can only be manufactured in a facility that has undergone a satisfactory inspection by the FDA. For these reasons, SGBI would not be able to quickly replace its manufacturing capacity if one of its manufacturing contractors or partners were unable to use their manufacturing facilities as a result of a fire, natural disaster, equipment failure or other difficulty, or if such facilities are deemed not in compliance with the FDA's Good Manufacturing Practice (GMP) requirements and the non-compliance could not be rapidly rectified. The inability or reduced capacity of SGBI to manufacture their products would have a material adverse effect on SGBI's business and results of operations.

SGBI has entered and may enter into arrangements with contract manufacturing companies to expand its production capacities in order to satisfy requirements for its products, or to attempt to improve manufacturing efficiency. If SGBI chooses to contract for manufacturing services and encounters delays or difficulties in establishing relationships with manufacturers to produce, package and distribute its finished products, clinical trials, market introduction and subsequent sales of such products would be adversely affected. Further, contract manufacturers must also operate in compliance with the FDA's GMP requirements; failure to do so could result in, among other things, the disruption of product supplies.

Currently, SGBI has its products manufactured by contract manufacturers in Germany and anticipates future production in Mexico. No assurance can be given, that these vendors will be willing or able to produce the products in the required quality or quantitities or at prices which will enable SGBI to sell the end products as requested by its customers.

Hazardous Materials and Environmental Matters

The research and development processes of SGBI involve the controlled storage, use and disposal of hazardous materials. SGBI is subject to federal, state and local laws and regulations governing the use, generation, manufacturing, storage, handling, and disposal of such materials and certain waste products. Although SGBI does not currently manufacture commercial quantities of its product candidates, it produces limited quantities of such products for its clinical trials or comparable testing and SGBI may eventually intend to manufacture commercial quantities of its products. Although SGBI has passed the ISO 9001:2000 (General Quality Management System) and ISO 13485:2003 (Quality Management System Medical Products) audits, and obtained the respective certifications, and although it believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by such laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, SGBI could be held liable for any damages that result, and any such liability could exceed the resources of SGBI. There can be no assurance that SGBI will not be required to incur significant costs to comply with current or future environmental laws and regulations nor that the operations, business or assets of SGBI will not be materially or adversely affected by current or future environmental laws or regulations.

Fluctuations in Foreign Currency Exchange Rates could have an Adverse Impact.

Because a portion of our total revenue is derived from international operations that are conducted in foreign currencies, changes in value of these foreign currencies relative to the US dollar may affect our results of operation and financial position. If for any reason exchange or price controls or other restriction on the conversion of foreign currencies were imposed, our business could be adversely affected.

ITEM 2.

PROPERTIES

The Company leases its office and laboratory facilities and is housed in approximately 8,600 square feet based in the Forschungs-und Entwicklungszentrum of the University Witten/Herdecke, Germany. Rent expense was approximately $86,267 and $72,753 during the years ended June 30, 2011 and 2010, respectively.

ITEM 3.

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 EUR 370,000 (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, 2011 and subsequent to the period covered by this report through October 7, 2011.

We are not aware of pending claims or assessments, other than as described above, which may have a material adverse impact on our financial position or results of operations.

ITEM 4.

[REMOVED AND RESERVED]

PART II

ITEM 5.

MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

As of June 30, 2011, our common stock was traded on the Pink Sheets under the symbol SGBI as well as on the OTC market of the Hamburg stock exchange in Germany.

The following table sets forth the high and low closing prices for shares of SGBI common stock for the fiscal periods noted, as reported by Pink Sheets. Quotations reflect inter-dealer prices, without retail mark-up, markdown or commissions and may not represent actual transactions.

	Common Stock Closing Prices (US$)	
	High	Low
2011		
Quarter ended September 2010	$ 0.085	$ 0.015
Quarter ended December 2010	0.112	0.05
Quarter ended March 2011	0.149	0.04
Quarter ended June 2011	0.19	0.04
2010		

Quarter ended September 2009	$ 0.14	$ 0.08
Quarter ended December 2009	0.28	0.03
Quarter ended March 2010	0.16	0.07
Quarter ended June 2010	0.13	0.60

In addition to freely tradable shares, SGBI has numerous shares of common stock outstanding that could be sold pursuant to Rule 144. In general, under Rule 144, subject to the satisfaction of certain other conditions, a person, including one of our affiliates, who has beneficially owned restricted shares of common stock for at least one year is entitled to sell, in certain brokerage transactions, within any three-month period, a number of shares that does not exceed the greater of 1% of the total number of outstanding shares of the same class, or the average weekly trading volume during the four calendar weeks immediately preceding the sale. A person who presently is not and who has not been an affiliate for at least three months immediately preceding the sale and who has beneficially owned the shares of common stock for at least six months is entitled to sell such shares under Rule 144 without regard to any of the volume limitations described above.

HOLDERS

At October 14, 2011, the number of record holders of the Company's common stock was approximately 899.

DIVIDENDS

The company did not pay any cash dividends during the past two fiscal years and do not contemplate paying dividends in the foreseeable future.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information as of June 30, 2011 and 2010, with respect to our equity compensation plans previously approved by stockholders and equity compensation plans not previously approved by stockholders.

	Equity Compensation Plan Information		
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders	0[1]	$ 0.00	3,450,000
Equity compensation plans not approved by stockholders	0	0.00	0
Total	0	$ 0.00	3,450,000

[1] During its 2011 financial year the Company issued an aggregate of 6,500,000 shares to sixteen (16) individuals pursuant to this Plan. Subsequent to the period covered by this report, the Company issued 50,000 shares to one (1) individual.

On October 22, 2008 the Company adopted the 2008 Amended and Restated Long-Term Equity Incentive Plan, whereby the Board was authorized to issue up to 10,000,000 shares of common stock (including incentive stock options) to certain eligible employees, directors, and consultants of the Company or its subsidiaries.

ISSUER PURCHASES OF EQUITY SECURITIES

There were no stock repurchases during the financial year 2011.

RECENT SALES OF UNREGISTERED SECURITIES

In July 2010 the Company issued an aggregate of 500,115 shares of its Common Stock to two (2) individuals, at approximately $0.08 per share, in exchange for services valued at $39,469. The Company also issued an aggregate of 850,000 shares of its Common Stock to two (2) individuals and/or entities, at an average price of $0.06 per share, in exchange for cash proceeds of $60,910. No underwriters were used. The securities were issued pursuant to an exemption from registration provided by Section 4(2) and Regulation S 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 August 2010 the Company issued an aggregate of 1,100,000 shares of its Common Stock to two (2) individuals, at an average price of $0.06 per share, for services totaling $48,500. The Company also issued 200,000 shares to a third party as a bonus. These shares were valued at $0.04 per share, totaling $8,000. The securities were issued pursuant to an exemption from registration provided by Section 4(2) and Regulation S 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 September 2010 the Company issued an aggregate of 3,334,000 shares of its Common Stock to various individuals and/or entities, at an average price of $0.06 per share, in exchange for cash totaling $57,943. $149,031 was received in October 2010 as a stock subscription receivable. The Company also issued 300,000 shares of its Common Stock for a previous stock subscription payable. Those shares were valued at $0.04 per share, totaling $13,457. The securities were issued pursuant to an exemption from registration provided by Section 4(2) and Regulation S 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 October 2010 the Company issued an aggregate of 846,163 shares of its Common Stock to one (1) individual, at approximately $0.07 per share, in exchange for services valued at $61,298. The securities were issued pursuant to an exemption from registration provided by Section 4(2) and Regulation S 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 December 2010 the Company issued an aggregate of 2,550,313 shares of its Common Stock, at $0.05 per share, in exchange for services valued at $132,204. The Company also issued an aggregate of 1,286,667 shares of its Common Stock to three (3) individuals and/or entities, at an average price of $0.10 per share, in exchange for cash proceeds of $132,369. The Company made use of its Long Term Incentive Program as resolved upon by the Shareholders Meeting of December 2008 and issued 3,000,000 shares under this program. These shares were valued at $0.05 per share, for an aggregate value of $150,000. The securities were issued pursuant to an exemption from registration provided by Section 4(2) and Regulation S 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 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 3,300,000 shares to fourteen (14) individuals, at approximately $0.05 per share totaling $168,300. The securities were issued pursuant to an exemption from registration provided by Section 4(2) and Regulation S 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 one (1) individual, at approximately $0.06 per share, in exchange for cash totaling $18,475. The securities were issued pursuant to an exemption from registration provided by Section 4(2) and Regulation S 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 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. The securities were issued pursuant to an exemption from registration provided by Section 4(2) and Regulation S 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 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. The securities were issued pursuant to an exemption from registration provided by Section 4(2) and Regulation S 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 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. The securities were issued pursuant to an exemption from registration provided by Section 4(2) and Regulation S 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 June 2011 the Company issued 160,015 shares to one (1) individual at $0.10 per share in exchange for services of $16,178. The securities were issued pursuant to an exemption from registration provided by Section 4(2) and Regulation S 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.

Sales of Unregistered Securities Subsequent to the Period Covered by This Report

The Company issued 50,000 shares of its Common Stock, at $0.10 per share from the Long-Term Incentive Equity Plan. The Company also issued 5,900,000 shares to eight (8) individuals at $0.14 per share in exchange for cash proceeds totaling $806,280. In addition the Company issued 270,000 shares to one (1) individual at $0.21 for services valued at $56,700. The securities were issued pursuant to an exemption from registration provided by Section 4(2) and Regulation S 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.

ITEM 6.

SELECTED FINANCIAL DATA

As a smaller reporting company (as defined by §229.10(f)(1)), we are not required to provide the information required by this Item.

ITEM 7.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements. Actual results may differ from these estimates under different assumptions or conditions.

CRITICAL ACCOUNTING POLICIES: Our significant accounting policies are described in Note 1 to the consolidated financial statements for the year ended June 30, 2011. The following are our critical accounting policies:

Revenue Recognition

The Company derives its revenue primarily from the sale of wound treatment products, and of its cosmetics products. The majority of the Company s sales are generated via online orders, with credit card payment. The Company recognizes revenues when: (i) persuasive evidence of a sales arrangement exists, (ii) the sales terms are fixed and determinable, (iii) title and risk of loss have transferred, and (iv) collectability is reasonably assured generally when products are shipped to the customer, except in situations in which title passes upon receipt of the products by the customer. In this case, revenues are recognized upon notification that customer receipt has occurred. The Company does not have customer acceptance provisions, but it does provide its customers a limited right of return. As warranted the Company accrues an estimated amount for sales returns and allowances at the time of sale based on its ability to estimate sales returns and allowances using historical information. Shipping and handling fees are included as part of net sales. The related freight costs and supplies associated with shipping products to customers are included as a component of cost of goods sold.

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. Research and development costs totaled $313,671 and $111,567 during the fiscal years ended June 30, 2011 and 2010, respectively.

Foreign Currency Translation

The functional currency of the Company s Sangui GmbH subsidiary is the local currency, the Euro. Accordingly, assets and liabilities of the subsidiary are translated into U.S. dollars at period-end exchange rates. Sales and expenses are translated at the average exchange rates in effect for the period. The resulting translation gains or losses are recorded as a component of accumulated other comprehensive income in the consolidated statement of stockholders equity (deficit). There were no gains or losses resulting from foreign currency transactions as of June 30, 2011 and 2010.

FINANCIAL POSITION

The Company s current assets increased by $93,048, or 178.5%, from June 30, 2010 to $145,177 at June 30, 2011. The increase is primarily attributable to an increase in cash resulting from the Company's issuance of common stock.

The Company's net property and equipment increased $1,128 or 105.5%, from June 30, 2010 to $2,197 at June 30, 2010. The increase is primarily attributable to the purchase of information technology equipment.

The Company funded its operations primarily through sales of unregistered securities. The Company s stockholders deficit decreased $141,353 from June 30, 2010, to a deficit of $40,907 as of June 30, 2011. The primary reason for the decrease was the Company's issuance of common stock totaling approximately $1.6 million.

REVENUES. Revenues decreased 69% to $5,563 during the year ended June 30, 2011 from $17,977 during 2010. This decrease is due primarily to the reduced marketing efforts dedicated to the Company s cosmetics products. The Company incurred Cost of Sales totaling $6,601 during the 2011 fiscal year, a 17% decrease from the prior year.

RESEARCH AND DEVELOPMENT. Research and development expenses almost tripled to $313,671 during the year ended June 30, 2011 from $111,567 during the 2010 fiscal year. This increase is due primarily to the Company s increased efforts to obtain the certification for its fully developed Hemospray product in Europe and - predominantly - in Mexico.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased 55.7% to $1,428,727 in 2011 from $917,589 in 2010. This increase is attributed to increases in legal and accounting and other expenses, as well as increases in expenses incurred in the attempt of obtaining the certification for its fully developed Hemospray product. These positions are separately shown as Professional fees.

NET LOSS. As a result of the above and other factors, the Company's consolidated net loss was $1,604,623 or $ 0.02 per common share in 2011, as compared to $1,041,195 or $0.01 per common share in 2010.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended June 30, 2011, net cash used in operating activities increased to $955,206 from $686,654 for the year ended June 30, 2010, primarily related to the increase in net losses from 2010 to 2011.

For the year ended June 30, 2011, net cash used for investing activities amounted to $10,621. No cash had been expensed nor received from investing activities in the previous year.

For the year ended June 30, 2010, net cash provided by financing activities increased to an inflow of $909,951 from an inflow of $332,832 for the year ended June 30, 2010.

The Company had a working capital deficit of $86,645 at June 30, 2011, compared to a working capital deficit of $223,504 at June 30, 2010, an overall decrease of $136,859, due primarily to the Company s issuing of common stock for cash during the year.

The Company incurred a net loss applicable to common stockholders of $1,527,418 and used cash in operating activities of $955,206 for the year ended June 30, 2011. These and other 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 consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Sales of our cosmetics products started in early 2005, sales of our wound pad products started in the course of the first quarter of 2007. The current state of the different sales efforts has induced management to believe that revenues from these products may be obtainable in the course of the 2012 fiscal year. However, 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 7A.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company (as defined by §229.10(f)(1)), we are not required to provide the information required by this item.

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SANGUI BIOTECH INTERNATIONAL, INC.

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

AND

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

SANGUI BIOTECH INTERNATIONAL, INC.

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SADLER, GIBB & ASSOCIATES, L.L.C.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

Sangui Biotech International, Inc.

We have audited the accompanying consolidated balance sheets of Sangui Biotech International, Inc. as of June 30, 2011 and 2010, and the related consolidated statements of operations, stockholders deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sangui Biotech International, Inc. as of June 30, 2011 and 2010, and the results of their operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company had accumulated losses of $28,440,006 for the period from inception through June 30, 2011 which raises substantial doubt about its

ability to continue as a going concern. Management s plans concerning these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Sadler, Gibb & Associates, LLC

Sadler, Gibb & Associates, LLC

Salt Lake City, UT

October 13, 2011

SANGUI BIOTECH INTERNATIONAL, INC.

Consolidated Balance Sheets

ASSETS

	June 30, 2011	June 30, 2010
CURRENT ASSETS		
Cash	$ 122,619	$ 24,238
Accounts receivable, net	459	155
Inventory	2,836	16,186
Prepaid expenses and other assets	19,263	11,550
Total Current Assets	145,177	52,129
PROPERTY AND EQUIPMENT, Net	2,197	1,069
OTHER ASSETS		
Tax refunds receivable	22,024	18,967
Other non-current assets	21,517	21,208
Total Other Assets	43,541	40,175
TOTAL ASSETS	$ 190,915	$ 93,373

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

SANGUI BIOTECH INTERNATIONAL, INC.

Consolidated Balance Sheets

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	June 30, 2011	June 30, 2010
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 231,822	$ 242,174
Accounts payable - related parties	-	33,459
Total Current Liabilities	231,822	275,633
TOTAL LIABILITIES	231,822	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, 109,804,855 and 79,357,148 shares issued and outstanding, respectively	24,007,655	22,379,420
Additional paid-in capital	4,621,430	4,621,430
Stock subscriptions payable	-	13,457
Accumulated other comprehensive income	(84,473)	(215,671)
Accumulated deficit	(28,440,006)	(26,912,588)
Noncontrolling interest	(145,513)	(68,308)
Total Stockholders' Equity (Deficit)	(40,907)	(182,260)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 190,915	$ 93,373

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

SANGUI BIOTECH INTERNATIONAL, INC.

Consolidated Statements of Operations

	For the Years Ended June 30,	
	2011	2010
REVENUES	$ 5,563	$ 17,977
COST OF SALES	6,601	7,950
GROSS PROFIT (LOSS)	(1,038)	10,027
OPERATING EXPENSES		
Research and development	313,671	111,567
Depreciation and amortization	1,227	1,928
Bad debt expense	-	20,853
Professional fees	935,912	440,966
General and administrative	492,815	476,623
Total Operating Expenses	1,743,625	1,051,937
OPERATING LOSS	(1,744,663)	(1,041,910)
OTHER INCOME (EXPENSE)		
Patent licensing income	136,128	-
Loss on equity investment	(8,508)	-
Other income	12,420	715
Total Other Income (Expense)	140,040	715
Loss before income taxes and noncontrolling interest	(1,604,623)	(1,041,195)
Provision for income taxes	-	-
NET LOSS	(1,604,623)	(1,041,195)
Less: Net loss attributable to noncontrolling interest	(77,205)	(68,308)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (1,527,418)	$ (972,887)
OTHER COMPREHENSIVE INCOME		
Foreign currency translation adjustments	131,198	344,080
Total Other Comprehensive Income (Loss)	131,198	344,080

COMPREHENSIVE INCOME (LOSS)	$ (1,473,425)	$ (697,115)
BASIC AND DILUTED LOSS PER SHARE	$ (0.02)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	93,923,235	75,889,831

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

SANGUI BIOTECH INTERNATIONAL, INC.

Consolidated Statements of Stockholders Deficit

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Stock Subscriptions (Receivable) Payable	Accumulated Other Comprehensive Income	Non-controlling Interest	Accumulated Deficit	Total
Balance, June 30, 2009	69,438,500	$21,409,838	$4,621,430	$ 167,179	$ (559,751)	$ -	$(25,939,701)	$ (301,005)
Common shares issued for services at $0.14 per share	2,019,709	483,028	-	-	-	-	-	483,028
Common shares issued for cash at $0.08 per share	7,898,939	486,554	-	(167,179)	-	-	-	319,375
Cash received for stock subscription payable at $0.04 per share	-	-	-	13,457	-	-	-	13,457
Currency translation adjustment	-	-	-	-	344,080	-	-	344,080
Net loss for the year ended June 30, 2010	-	-	-	-	-	(68,308)	(972,887)	(1,041,195)
Balance, June 30, 2010	79,357,148	22,379,420	4,621,430	13,457	(215,671)	(68,308)	(26,912,588)	(182,260)
Common shares issued for services at $0.055 per share	12,714,540	704,827	-	-	-	-	-	704,827

Common shares issued for cash at $0.05 per share	17,433,167	909,951	-	-	-	-	-	909,951
Stock issued for stock subscriptions payable at $0.04 per share	300,000	13,457	-	(13,457)	-	-	-	-
Currency translation adjustment	-	-	-	-	131,198	-	-	131,198
Net loss for the year ended June 30, 2011	-	-	-	-	-	(77,205)	(1,527,418)	(1,604,623)
Balance, June 30, 2011	109,804,855	$24,007,655	$4,621,430	$ -	$ (84,473)	$ (145,513)	$(28,440,006)	$ (40,907)

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

SANGUI BIOTECH INTERNATIONAL, INC.

Consolidated Statements of Cash Flows

	For the Years Ended June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,604,623)	$ (1,041,195)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	1,227	1,929
Common stock issued for services	704,827	483,028
Loss on investment in joint venture	8,508	-
Bad debt expense	-	5,120
Changes in operating assets and liabilities		
Accounts receivable	(262)	(212)
Inventory	15,278	11,048
Prepaid expenses and other assets	(2,153)	(10,098)
Accounts payable and accrued expenses	(44,688)	(169,733)
Related parties accounts payable	(33,320)	33,459
Net Cash Used in Operating Activities	(955,206)	(686,654)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity investment	(8,508)	-
Purchases of fixed assets	(2,113)	-
Net Cash Provided by Investing Activities	(10,621)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Common stock issued for cash	909,951	319,375
Proceeds from stock subscriptions (receivable) payable	-	13,457
Net Cash Provided by Financing Activities	909,951	332,832
EFFECTS OF EXCHANGE RATES	154,257	365,707
NET INCREASE (DECREASE) IN CASH	98,381	11,885
CASH AT BEGINNING OF PERIOD	24,238	12,353
CASH AT END OF PERIOD	$ 122,619	$ 24,238

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 Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 1 - ORGANIZATION AND 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") were engaged in the research, development, manufacture, and sales of pharmaceuticals and medical products.

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.

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) cosmetics and wound management products, in particular wound dressings based on Chitosan and a wound spray based on natural, porcine hemoglobin. The development of glucose implant sensors was abandoned in the course of the financial year 2009.

Going Concern

The Company incurred a net loss applicable to common stockholders of $1,527,418 and used cash in operating activities of $955,206 for the year ended June 30, 2011. These and other 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 consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the respective reporting period. As future events and their effects cannot be determined with precision, actual results could differ from those estimates. Significant estimates made by management are, among others, the realization of receivables, inventories, long-lived assets, and valuation allowance on deferred tax assets.

Risks and Uncertainties

The Company's line of future pharmaceutical and cosmetic products (artificial oxygen carriers or blood substitute and additives) as well as other medical 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.

Financial Instruments

The Company has financial instruments whereby the fair market value of the financial instruments could be different than that recorded on a historical basis. The Company's financial instruments consist of its cash and cash equivalents, and accounts payable and accrued expenses. The carrying amount of the Company's cash and cash equivalents and accounts payable and accrued expenses approximate their estimated fair values due to the short-term nature of these financial statements.

Foreign Currency Translation

The functional currency of the Company s Sangui GmbH subsidiary is the local currency, the Euro. Accordingly, assets and liabilities of the subsidiary are translated into U.S. dollars at period-end exchange rates. Revenues and expenses are translated at the average exchange rates in effect for the period. The resulting translation gains or losses are recorded as a component of accumulated other comprehensive income in the consolidated statement of stockholders equity (deficit). For the years ended June 30, 2011 and 2010, the Company recognized gains on translation adjustment in the amount of $131,198 and $344,080, respectively. There were no gains or losses resulting from foreign currency transactions as of June 30, 2011 and 2010.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Company considers highly liquid investments with insignificant interest rate risk and original maturities to the Company of three months or less to be cash equivalents. The Company maintains its cash in uninsured 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. The Company had no cash equivalents outstanding as of June 30, 2011 and 2010.

Property and Equipment

Property and equipment are recorded at cost and are depreciated or amortized using the straight-line method over the expected useful lives, which range from three to five years. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or the related lease terms. Depreciation expense for the years ended June 30, 2011 and 2010 was $1,227 and $1,928, respectively. Expenditures for normal maintenance and routine repairs are charged to expense, and significant improvements are capitalized. The cost and related accumulated depreciation of assets are removed from the accounts upon retirement or other disposition; any resulting gain or loss is reflected in the statement of operations.

Patents and Licenses

Patents and licenses are recorded at cost and are amortized using the straight-line method over their estimated useful lives, which range from four to eight years. Amortization expense for the years ended June 30, 2011 and 2010 was $-0-.

Impairment of Long-Lived Assets

Long-lived assets, including property and equipment and certain identifiable intangibles to be held and used are reviewed by the management of the Company for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. The Company evaluates, regularly, whether events and circumstances have occurred that indicate possible impairment and relies on a number of factors, including business plans, economic projections, and anticipated future cash flows. Measurement of the amount of impairment, if any, is based upon the difference between the asset s carrying value and estimated fair value. As of June 30, 2011 and 2010, management of the Company believes that no impairment has been indicated. There can be no assurances, however, that market conditions will not change or demand for the Company's products will continue which could result in impairment of long-lived assets in the future.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Company derives its revenue primarily from the sale of wound treatment products, and of its cosmetics products. The majority of the Company s sales are generated via online orders, with credit card payment. The Company recognizes revenues when: (i) persuasive evidence of a sales arrangement exists, (ii) the sales terms are fixed and determinable, (iii) title and risk of loss have transferred, and (iv) collectability is reasonably assured generally when products are shipped to the customer, except in situations in which title passes upon receipt of the products by the customer. In this case, revenues are recognized upon notification that customer receipt has occurred. The Company does not have customer acceptance provisions, but it does provide its customers a limited right of return. As warranted the Company accrues an estimated amount for sales returns and allowances at the time of sale based on its ability to estimate sales returns and allowances using historical information. Shipping and handling fees are included as part of net sales. The related freight costs and supplies associated with shipping products to customers are included as a component of cost of goods sold.

Financial Statement Reclassifications

The Company has reclassified certain prior-year account balances in order to comply with current-period classifications and increase comparability.

Sales Tax Collected from Customers

As a part of the Company s normal course of business, sales taxes are collected from customers. Sales taxes collected are remitted, in a timely manner, to the appropriate governmental tax authority on behalf of the customer. The Company s policy is to present revenue and costs, net of sales taxes.

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 also expensed as incurred, due to the uncertainty with respect to future cash flows resulting from the patents. Research and development costs totaled $313,671 and $111,567 during the fiscal years ended June 30, 2011 and 2010, respectively.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax assets are reviewed for recoverability and the Company records a valuation allowance to reduce deferred income tax assets when it is more likely than not that such deferred tax assets will not be realized.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Company has a foreign subsidiary formed or acquired to conduct or support its business outside the United States. The Company provides for income taxes, net of applicable foreign tax credits, on temporary differences in its investment in foreign subsidiaries which are not considered to be permanently invested outside of the United States.

The Company adopted ASC 740 which defines the threshold for recognizing the benefits of tax return positions in the financial statements as more-likely-than-not to be sustained by the taxing authority. A tax position that meets the more-likely-than-not criterion shall be measured at the largest amount of benefit that is more than 50 percent likely of being realized upon ultimate settlement. ASC 740 also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. ASC 740 applies to all tax positions accounted for under ASC 740. Estimated interest and penalties related to the underpayment of income taxes are recorded as a component of provision for income taxes in the consolidated statements of operations. For the years ended June 30, 2011 and 2010, the Company did not recognize any such interest or penalties, nor were any interest fees or penalties accrued as of June 30, 2011 and 2010.

Basic and Diluted Earnings (Loss) Per Common Share

Basic earnings (loss) per common share excludes dilution and 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 give 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 June 30, 2011 and 2010, the Company had no potentially dilutive securities that would affect the loss per share if they were to be included in the loss per share.

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.

Segments of an Enterprise and Related Information

The Company adopted ASC 280, "Disclosures about Segments of an Enterprise and Related Information." ASC 280 establishes standards for the way public companies report information about segments of their business in their annual financial statements and requires them to report selected segment information in their quarterly reports issued to stockholders. It also requires entity-wide disclosures about the products and services an entity provides, the material countries in which it holds assets and reports revenues and its major customers, if any. As of June 30, 2011 and 2010, the Company has one business segment, which is the manufacturing and sales of its wound treatment and cosmetics products.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is stated at the lower of cost (computed on a first-in, first-out basis) or market value. Provisions to value the inventory at the lower of the actual cost to purchase or manufacture the inventory, or the current estimated market value of the inventory, are based upon assumptions about future demand and market conditions. The Company also performs evaluations of inventory and records a provision or impairment for estimated excess and obsolete items based upon demand, and any other known factors at the time. As of June 30, 2011 and 2010, inventory was comprised of the following components:

	June 30,	
	2011	2010
Raw materials	$ 57	$ 276
Work in process	54	947
Finished goods	2,726	14,963
Total inventory	$ 2,836	$ 16,186

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are reflected at estimated net realizable value, do not bear interest nor do they generally require collateral. The Company maintains an allowance for doubtful accounts based upon a variety of factors. The Company reviews all open accounts and provides specific reserves for customer collection issues when it believes the loss is probable, considering such factors as the length of time receivables are past due, the financial condition of the customer, and historical experience. The Company also records a reserve for all customers, excluding those that have been specifically reserved for, based upon evaluation of historical losses, which exceeded the specific reserves the Company had established. For the years ended June 30, 2011 and 2010, the Company recognized bad debt expense in the amounts of $-0- and $20,853, respectively.

Fair Value Measures

The Company discloses fair value measures for financial assets and financial liabilities reported or disclosed at fair value in the consolidated financial statements on a recurring basis in accordance with ASC 820, Fair Value Measures. The Company prospectively implemented the provisions of ASC 820 for financial assets and financial liabilities as of July 1, 2008 and elected to defer implementation of the provisions of ASC 820 for non-financial assets and non-financial liabilities until July 1, 2009 as permitted. In accordance with ASC 820, the Company discloses fair value measures based on a hierarchy for categorizing inputs used to measure fair value, whereby Level 1 represents quoted market prices in active markets for identical assets or liabilities; Level 2 represents significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs); and Level 3 represents unobservable inputs in which there is little or no market data and requires the reporting unit to develop its own assumptions.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

The Company has evaluated recent accounting pronouncements and their adoption has not had or is not expected to have a material impact on the Company s financial position, or statements.

Concentrations of Credit Risk

During the years ended June 30, 2011 and 2010 the Company had no significant concentrations of sales or receivables from specific customers.

Noncontrolling Interests

On June 11, 2008, the Company s wholly-owned German subsidiary, Sangui Biotech GmbH (GmbH) issued 11,400 shares of its previously unissued common stock for cash proceeds of $1,140,759. These shares amount to 10 percent of the GmbH s total outstanding common stock, which totaled 113,800 shares of as June 30, 2011 and 2010, respectively. The Company accounts for these minority, or noncontrolling interests pursuant to ASC 810 whereby gains or losses in a subsidiary with a noncontrolling interest are allocated to the noncontrolling interest based on the ownership percentage of the noncontrolling interest, even if that allocation results in a deficit noncontrolling interest balance.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2011 and 2010:

June 30,

	2011	2010
Technical and laboratory equipment	$ 641,326	$ 641,326
Leasehold improvements	285,189	285,189
Office equipment and furniture	311,371	309,016
Total property and equipment	1,237,886	1,235,531
Less accumulated depreciation and amortization	(1,235,689)	(1,234,462)
Total property and equipment, net	$ 2,197	$ 1,069

NOTE 3 - RELATED PARTY TRANSACTIONS

The Company has an agreement with the Company's former President and CEO, pursuant to which he is entitled to three percent royalties of gross revenues earned with any product based on his inventions. No royalties were outstanding, paid or earned in fiscal years 2011 and 2010.

Shareholder Loans Receivable

As of June 30, 2011 and 2010, the Company had a payable to related parties of $-0- and $33,459, respectively. The payables are unsecured, accrue no interest and are due upon demand.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 4 - STOCKHOLDERS' DEFICIT

Common Stock The Company is authorized to issue 250,000,000 shares of no par value common stock. The holders of the Company's common stock are entitled to one vote for each share held of record on all matters to be voted on by those stockholders.

Common Stock Subscriptions During the year ended June 30, 2010, the Company received $13,457 from an unrelated third party in exchange for the issuance of common stock at a future date. At June 30, 2010, the Company recorded the amount as a stock subscription payable in the Company s consolidated financial statements. On September 10, 2011 the Company received an additional $43,457 from said third party, and on the same date the Company satisfied the receipt of the aggregate amount of $56,716 received from the investor through the authorization and issuance of 1,800,000 shares of common stock.

Common Stock Issuances During the year ended June 30, 2011, the Company issued 12,714,540 shares of common stock for services at an average of $0.055 per share for a total expense of $704,827. In addition, the Company issued 17,433,167 shares of common stock for cash at an average of $0.05 per share, yielding total cash proceeds of $909,951.

During the year ended June 30, 2010, the Company issued 2,019,709 shares of common stock for services at an average of $0.14 per share for a total expense of $483,028. In addition, the Company issued 7,898,939 shares of common stock for cash at an average of $0.08 per share, yielding total cash proceeds of $486,554 and a reduction of stock subscriptions payable of $167,179 for the year.

Preferred Stock During the year ended June 30, 2011, the Company s Board of Directors resolved to increase the number of authorized shares of preferred stock from 5,000,000 to 10,000,000 shares of no par value preferred stock. The authorized preferred shares are non-voting and the Board of Directors has not designated any liquidation value or dividend rates.

Stock Options - From time to time, the Company may issue stock options pursuant to various agreements and other contemporary agreements. At June 30, 2011 and 2010, and during the years ended June 30, 2011 and 2010, no options were issued or outstanding.

NOTE 5 - INCOME TAX PROVISION

The Company s provision for income taxes was $-0- and $-0- for the years ended June 30, 2011 and 2010 respectively, since the Company incurred net operating losses through June 30, 2011.

Income tax expense for the years ended June 30, 2011 and 2010 differed from the amounts computed by applying the U.S. federal income tax rate of 34 percent as follows:

	June 30,	
	2011	2010
Income tax benefit at U.S. federal statutory rates	$ (362,000)	$ (354,006)
Effect of:		
Common stock issued for services	239,641	165,428
Increase (decrease) in valuation allowance	122,359	188,578
Other, net	-	-
Provision for income taxes	$ -	$ -

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 5 - INCOME TAX PROVISION (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at June 30, 2011 and 2010 are presented below:

	June 30,	
	2011	2010
Deferred tax assets		
Net operating losses	$ 6,709,819	$ 6,587,460
Less: valuation allowance	(6,709,819)	(6,578,460)
Net deferred tax assets	-	-
Deferred tax liabilities	-	-
Net deferred taxes	$ -	$ -

As of June 30, 2011, the Company had net operating loss carryforwards of approximately $8.4 million, $4.2 million and $12.6 million available to offset future taxable federal, state and foreign income, respectively. The federal and state carryforward amounts expire in varying amounts between 2011 and 2031. The foreign net operating loss carryforwards do not have an expiration period. The valuation allowance increased by $120,331 to $6,709,819 during the year ended June 30, 2011.

The Company has evaluated its uncertain tax positions and determined that any required adjustments for unrecognized tax benefits would not have a material impact on the Company s balance sheet, income statement, or statement of cash flows.

The Company s tax filings for 2007 through 2011 remain subject to examination by tax authorities for federal income tax purposes and by other major taxing jurisdictions to which we are subject. The Company has identified potential penalties for the late filing of reports to taxing authorities. The Company believes that it is more likely than not the penalties will be waived and accordingly has not accrued the penalties in the financial statements.

NOTE 6 - BASIC AND DILUTED LOSS PER COMMON SHARE

The following is a reconciliation of the numerators and denominators of the basic and diluted loss per common share computations for the years ended June 30, 2011 and 2010:

	June 30,	
	2011	2010
Numerator for basic and diluted loss per common share net loss	$ (1,604,623)	$ (1,041,195)
Denominator for basic and diluted loss per common share weighted average shares	93,923,235	75,889,831
Basic and diluted loss per common share	$ (0.02)	$ (0.01)

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 7 - 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. The Company has recorded a reserve for indemnities and guarantees of $-0- as of June 30, 2011 and 2010.

Leases

The Company leases office facilities from an unrelated third party at $6,326 per month. The office lease contract is maintained on a month-to-month basis.

The Company leases an automobile under an operating lease. The lease provides for a lease payment of $1,186 per month beginning November 2007 expiring November 2011. Future minimum lease payments under the terms of the operating leases are as follows:

2011	$	4,953
Thereafter		-
Total	$	4,953

NOTE 8 - STOCK-BASED COMPENSATION

The Company has applied the disclosure provisions of ASC 718 for the years ended June 30, 2011 and 2010. There were no common shares or stock options outstanding, issued or granted to employees during these reporting periods.

On April 28, 2004, the Company adopted the 2004 Employee Stock Incentive Plan (the Plan). Under the terms of this plan the Board was authorized to issue up to 1,000,000 shares of common stock to certain eligible employees of the Company or its subsidiaries. All of these shares were issued pursuant to the plan prior to June 30, 2007.

On September 22, 2008 the Company adopted the 2008 Amended and Restated Long-Term Equity Incentive Plan, whereby the Board was authorized to issue up to 10,000,000 shares of common stock (including incentive stock options) to certain eligible employees, directors, and/or consultants of the Company or its subsidiaries. During the year ended June 30, 2011 the Company issued 6,500,000 shares pursuant to this Plan.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE 9 FOREIGN CURRENCY TRANSLATION

During the years ended June 30, 2011 and 2010, the Company has transacted the majority of its business activities in Germany, and the transactions have been primarily consummated in the Euro currency. Due to the fact that the Company s functional currency is the Euro and its reporting currency is the U.S. dollar, the Company must recognize the effects of variations in foreign currency exchange rates as gains and losses as a component of other comprehensive income (loss), pursuant to ASC 830 *Foreign Currency Translation*. To calculate this other comprehensive income and loss, the Company utilizes the current method, whereby assets and liabilities of the German subsidiary are translated from Euro into U.S. dollars at the exchange rate at the balance sheet date.

All equity items, other than retained earnings, are specifically identified where possible and exchange rates on transaction dates are implemented. Profit and loss accounts are translated using an average rate for the period. During the years ended June 30, 2011 and 2010, the Company recognized other comprehensive income (loss) of $131,282 and $344,080, respectively. Such other comprehensive income (loss) had no effect on liquidity.

NOTE 10 INVESTMENT IN JOINT VENTURE

During December 2010, 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 a 10 percent royalty on all future gross sales of the product. The Company owns 25 percent of the joint venture and accounts for its interest in the joint venture using the equity method of accounting.

The Company invested $8,509 in the joint venture during the year ended June 30, 2011. The Company share of the losses of the joint venture exceeded its investment resulting in a loss of $8,509 for the year ended June 30, 2011.

NOTE 11 - SUBSEQUENT EVENTS

The Company issued 50,000 shares of its Common Stock, at $0.10 per share from the Long-Term Incentive Equity Plan. The Company also issued 5,900,000 shares to eight (8) individuals at $0.14 per share in exchange for cash proceeds totaling $806,280. In addition the Company issued 270,000 shares to one (1) individual at $0.21 for services valued at $56,700.

ITEM 9.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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, 2011, 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, 2011, 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.

ITEM 9B.

OTHER INFORMATION

None.

PART III

ITEM 10.

DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the names and ages of the current directors and executive officers of Sangui BioTech International, Inc., their principal offices and positions and the date each such person became a director or executive officer. Our directors serve one-year terms or until their successors are elected. Our executive officers are elected annually by the Board of Directors. The executive officers serve terms of one year or until their death, resignation or removal by the Board of Directors. In addition, there was no arrangement or understanding between any director and/or executive officer and any other person pursuant to which any person was selected as a director and/or executive officer.

The directors as of June 30, 2011 were as follows:

Name	Age	Position with the Company	Director Since
Hubertus Schmelz	55	Non-Executive Director	Dec 18, 2009
Joachim Fleing, Ph.D.	57	Director and CFO	Dec 13, 2003
Thomas Striepe	46	Director and CEO	Feb 7, 2005

The business and working experience of the Directors and key Executive Officers of SGBI as of June 30, 2011, are set out below:

THOMAS STRIEPE, is Vice President Accounting and Controlling at Dr. Ludz GmbH, Hamburg, Germany, a financial services company. Prior to joining Dr. Ludz GmbH in 2004, he held management positions in the accounting departments of several German and international corporations. He holds an MBA of Hamburg University.

JOACHIM FLEING, PhD, 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. Joachim Fleing holds a

PhD of Wuppertal University as well as an Executive MBA in Accounting and Controlling of Muenster University.

HUBERTUS SCHMELZ, is the General Manager of SanguiBioTech GmbH. He was appointed to this position effective December 16, 2003. Prior to joining Sangui he acted as a legal and business consultant. During the last decade prior to 2000 he was entrusted with numerous business development projects by the German Treuhandanstalt in restructuring the economy of Eastern Germany. After having studied law he acted as legal counsel in several positions.

Significant Employees

All but one individuals serving as scientific or administrative staff have been engaged on the basis of consulting agreements. They include non-disclosure and exclusivity sections and secure the ongoing cooperation. Key personnel, the expertise and abilities of which would be difficult to replace, includes Dr. Harald Poetzschke, Dr. Alexander Teslenko and Hartmut Almen.

Family Relationships

There are no family relationships between any of the directors, officers or employees of the Company.

Directorships

No Director of the Company or person nominated or chosen to become a Director holds any other directorship in any company with a class of securities registered pursuant to section 12 of the Exchange Act or subject to the requirements of section 15(d) of such Act or any other company registered as an investment company under the Investment Company Act of 1940.

Involvement in Certain Legal Proceedings

On September 13, 2007, the District Appeal Court of Dusseldorf, Germany (Oberlandesgericht Düsseldorf I 6 U 96/06) found Prof. Dr. Dr. Wolfgang Barnikol, a former officer and director of the Company, 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, final and absolute. The Company was not and is not a party to these proceedings.

Additionally, on September 2, 2008, the District Court of Dusseldorf (Landgericht Düsseldorf 7 O 299/04) found Prof. 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, final and absolute. The Company was not and is not a party to these proceedings.

On September 30, 2008, Prof. Dr. Dr. Wolfgang Barnikol submitted his resignation as a Director of the Board of Directors, effective as of September 30, 2008 and 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 resignations were not due to any disagreement with the Company.

Except as set forth above, during the past ten years, no present or former director, executive officer or person nominated to become a director or an executive officer of the Company has been or filed:

1.

A petition under the Federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;

2.

Such person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

3.

Such person was the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:

i.

Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;

ii.

Engaging in any type of business practice; or

iii.

Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;

4.

Such person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (f)(3)(i) of this section, or to be associated with persons engaged in any such activity;

5.

Such person was found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;

6.

Such person was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;

7.

Such person was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:

i.

Any Federal or State securities or commodities law or regulation; or

ii.

Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or

iii.

Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

8.

Such person was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Section 16 (a) Beneficial Ownership Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and persons who own more than ten percent of the Company's Common Stock, to file initial reports of beneficial ownership on Form 3, changes in beneficial ownership on Form 4 and an annual statement of beneficial ownership on Form 5, with the SEC. Such executive officers, directors and greater than ten percent shareholders are required by SEC rules to furnish the Company with copies of all such forms that they have filed.

Based solely upon a review of copies of the reports filed, we believe that during the year ended June 30, 2011, all executive officers, directors and persons who own more than ten percent of the Company's Common Stock are in compliance with such regulations.

Code of Ethics

Our board of directors has not adopted a code of ethics due to the fact that we presently only have three individuals acting as directors and officers and we have not yet had time to focus on this matter due to the time required to continue the growing of the business. We anticipate that we will adopt a code of ethics when we increase either the number of our directors and officers or the number of our employees.

Material Changes to the Method by Which the Shareholders May Recommend Nominees to the Board of Directors

None.

Audit Committee and Audit Committee Financial Expert

Our board of directors is comprised of three directors, none of which is an outside independent director, and as of the date hereof we have not established an audit committee. Accordingly, our board of directors presently performs the functions that would customarily be undertaken by an audit committee.

Our board of directors has determined that none of our directors and officers qualify as an audit committee financial expert, as defined by the rules of the SEC.

ITEM 11.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Summary Compensation Table

The following table sets forth the compensation paid to our Chief Executive Officer, our Chief Financial Officer, and those executive officers that earned in excess of $100,000 during the twelve month periods ended June 30, 2011 and 2010 (collectively, the Named Executive Officers):

Name and Principal Position	Year	Salary ($) [1]	Bonus ($)	Stock Awards ($)	Option Awards ($)	Total ($)
Dr. Joachim Fleing	2011	40,362	-	-	-	40,362
CFO	2010	31,392	-	-	-	31,392
Thomas Striepe	2011	0	-	-	-	-
CEO	2010	0	-	-	-	-
Hubertus Schmelz[2]	2011	163,354	-	-	-	163,354
	2010	147,005	-	-	-	147,005

[1] All figures are expressed in United States Dollars (USD); for the German management personnel, the EURO or DM was converted to USD as of the fiscal year end of each year.

[2] Mr. Schmelz is the General Manager of SanguiBioTech GmbH, a subsidiary of Sangui Biotech International, Inc.

Narrative Disclosure to Summary Compensation Table

We do not have any written employment agreements.

There are no employment contracts, compensatory plans or arrangements, including payments to be received from the Company with respect to any executive officer, that would result in payments to such person because of his or her resignation, retirement or other termination of employment with the Company, or its subsidiaries, any change in control, or a change in the person s responsibilities following a change in control of the Company.

Outstanding Equity Awards at Fiscal Year-End Table and Narrative

The Company had no outstanding equity awards at fiscal year-end.

Compensation of Directors

The table below summarizes all compensation awarded to, earned by, or paid to our Directors for all services rendered in all capacities to us for the fiscal periods indicated.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Total ($)
Thomas Striepe	$ -	$ -	$ -	$ -
Hubertus Schmelz	$ -	$ -	$ -	$ -
Joachim Fleing	$ -	$ -	$ -	$ -

Narrative to Director Compensation Table

Directors serve in this position without compensation and there are no standard or other arrangements for their compensation. There are no employment contracts, compensatory plans or arrangements, including payments to be received from the Company with respect to any Director that would result in payments to such person because of his or her resignation with the Company, or its subsidiary, in the event of any change in control of the Company. There are no agreements or understandings for any Director to resign at the request of another person. None of our Directors or executive officers acts or will act on behalf of or at the direction of any other person.

Other Contracts

None.

ITEM 12.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Securities Authorized for Issuance under Equity Compensation Plans

No securities have been authorized for issuance as part of any Equity Compensation Plan.

Stock Incentive Plan

On April 28, 2004, the Company adopted the 2004 Employee Stock Incentive Plan. Under the terms of this plan the Board was authorized to issue up to 1,000,000 shares of common stock to certain eligible employees of the company or its subsidiary. All 1,000,000 shares of common stock were issued under the plan in Sangui s 2005 and 2006 financial years.

2008 Amended and Restated Long-Term Equity Incentive Plan

On October 22, 2008 the Company adopted the 2008 Amended and Restated Long-Term Equity Incentive Plan, whereby the Board was authorized to issue up to 10,000,000 shares of common stock (including incentive stock options) to certain eligible employees, directors, and consultants of the Company or its subsidiaries. In its 2011 financial year the company issued an aggregate of 6,500,000 shares to sixteen (16) individuals pursuant to this plan. Subsequently, the company issued another 50,000 shares to one (1) individual pursuant to this plan. There are 3,450,000 shares remaining for issuance under the plan as of the date of the filing of this report.

Security Ownership of Certain Beneficial Owners

The following table sets forth, as of October 14, 2011, certain information concerning ownership of shares of Common Stock by any person who is the beneficial owner of more than 5% of the issued and outstanding Common Stock of the Company.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Owner[1]	Percent of Class
Common Stock	Feedback AG Neuer Wall 54 20354 Hamburg Germany	8,287,500	7.14%
Common Stock	Hubertus Schmelz Alfred Herrhausen Street 44 58455 Witten Germany	9,952,601	8.58%

Security Ownership of Management

The following table sets forth, as of October 14, 2011, certain information concerning ownership of shares of Common Stock by each director of the Company and by all executive officers and directors of the Company as a group:

Title of Class	Name and Address of	Amount and Nature of	Percent of Class

	Beneficial Owner	Beneficial Owner[1]	
Common Stock	Thomas Striepe Alfred Herrhausen Street 44 58455 Witten Germany	600,000	0.52%
Common Stock	Hubertus Schmelz Alfred Herrhausen Street 44 58455 Witten Germany	9,952,601	8.58%
Common Stock	Dr. Joachim Fleing Am Vogelherd 43 35043 Marburg Germany	1,075,793	0.93%
Common Stock	All Officers and Directors as a Group (3 persons)	11,628,394	10.03%

Percentages are calculated on the basis of 116,024,855 shares issued and outstanding as of October 14, 2011.

Changes in Control

To the best of the Company s knowledge there are no present arrangements or pledges of the Company's securities, which may result in a change in control of the Company.

ITEM 13.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with related persons

Except as otherwise disclosed below, no Director, substantial shareholder or Executive Officer of SGBI was or is an interested party in any transaction undertaken by SGBI or its subsidiary within the last two years.

Consulting Contract with Joachim Fleing, PhD.

The Company signed a consulting contract with Joachim Fleing, PhD, covering certain investor relations services on July 17, 2002. When the latter was appointed a director of the company effective December 16, 2003, the Board of Directors unanimously agreed that this contract should persist. Under this resolution Joachim Fleing, like the other directors will not obtain any remuneration for serving as a director, while those services as rendered under the contract should be remunerated as before.

Parents

Not applicable.

Promoters and Control Persons

Not applicable.

ITEM 14.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Independent Registered Public Accountants

The Company s independent accountants for the fiscal year ended June 30, 2009 were Mantyla McReynolds, LLC.

The Company s independent accountants for the fiscal year ended June 30, 2010 and 2011 were Sadler, Gibb & Associates, LLC.

(a)

Audit Fees. For the fiscal year ended 2010, the aggregate fees billed by Sadler, Gibb & Associates for services rendered for the audits of the annual financial statements and the review of the financial statements included in the quarterly reports on Form 10-QSB or services provided in connection with the statutory and regulatory filings or engagements for those fiscal years were $19,000.

(b)

For the fiscal year ended 2011, the aggregate fees billed by Sadler, Gibb & Associates for services rendered for the audits of the annual financial statements and the review of the financial statements included in the quarterly reports on Form 10-Q or services provided in connection with the statutory and regulatory filings or engagements for those fiscal years were $19,000

(c)

Audit-Related Fees. For the fiscal year ended 2011 fees billed by Sadler, Gibb & Associates were an aggregate $0 for any audit-related services other than as set forth in paragraph (a) above.

(d)

Tax Fees. For the fiscal years ended 2010 and 2011 Sadler, Gibb & Associates did not bill any fees for tax compliance services. The auditors did not provide tax-planning advice for the fiscal years ended 2010 and 2011.

(e)

All Other Fees. None.

PART IV

ITEM 15.

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)

Documents filed as part of this Report.

1.

Financial Statements. The Consolidated Balance Sheet of Sangui Biotech International, Inc., and subsidiaries as of June 30, 2011 and 2010, the Consolidated Statements of Operations for the years ended June 30, 2011 and 2010, the Consolidated Statements Stockholders Equity (Deficit) from June 30, 2009 to June 30, 2011, and Statements of Cash Flows for the years ended June 30, 2011 and 2010, and together with the notes thereto and the report of Sadler, Gibb & Associates, LLC thereon appearing in Item 8 are included in this 2011 Annual Report on Form 10-K..

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 Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

SANGUI BIOTECH INTERNATIONAL, INC.

/s/ Thomas Striepe

October 20, 2011

Thomas Striepe

Chief Executive Officer

/s/ Joachim Fleing

October 20, 2011

Joachim Fleing, Ph.D

Chief Financial Officer

In accordance with the Exchange Act, this Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Thomas Striepe	Chief Executive Officer and Director	October 20, 2011
Thomas Striepe		
/s/ Joachim Fleing	Chief Financial Officer and Director	October 20, 2011
Joachim Fleing, Ph.D		
/s/ Hubertus Schmelz		
Hubertus Schmelz	Director	October 20, 2011